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## THE MERCHANT MARINE



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# THE MERCHANT MARINE

"A NECESSITY IN TIME OF WAR; A  
SOURCE OF INDEPENDENCE AND  
STRENGTH IN TIME OF PEACE."

BY

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This study in American History was written for the non-competitive program of the Knights of Columbus to encourage investigation into the origins, the achievements and the problems of the United States; to interpret and perpetuate the American principles of liberty, popular sovereignty and government by consent; to promote American solidarity; and to exalt the American ideal.



## INTRODUCTION

Through the long period I have spent in the naval service of the United States I have carefully studied the mercantile side of the nation's ocean service, not only because it is of vital importance to the country's safety as an auxiliary of the Navy, but also because it is an instrument essential to the nation's wealth and to her usefulness among the peoples of the world.

My responsibilities as Director of Naval Operations during the World War brought me in close touch with the danger to which this country was exposed, in consequence of her lack of an adequate merchant marine. As our Allies also were anxious to get our soldiers to Europe, our need in this instance was supplied by their vessels. The consequences which will attend our neglect of the merchant service, should our safety demand the transport of great bodies of troops across the Atlantic or Pacific, when no friendly ally is at hand to assist with its vessels, are not pleasant to contemplate. At present there is no lack of vessels, but their existence now is no assurance for our possible need at an indefinite and we trust distant future time when our rights may again have to be preserved by resort to arms.

Constant protection can come only from an ample navy and a permanent merchant marine, under our own

flag. A merchant fleet of adequate size for our peace time commerce, manned by American citizens whose loyalty will keep them at their posts when danger comes, and whose experience will equip them for higher office in our non-combatant fleet when it serves as an auxiliary to our navy, is not a mere instrument of commerce—it is a necessity.

But the wealth of the nation also demands an adequate merchant marine. The vast sum heretofore and still paid foreign vessels for transporting American products to foreign countries, if paid to American vessels would itself be a great addition to our national assets. This, however, is but one aspect of the matter in its relation to our commerce. In addition to the freight money paid foreign owners, we place in their custody as an open book, all the “secrets” of that part of our foreign trade carried in their ships, for the manifests which form a part of the ship’s papers contain in great detail information concerning our imports, our exports and our customers. If a citizen wishes to understand what this means and what folly it is to permit it, let him consider what he would think of a great department store employing the delivery wagons of a competing establishment for the delivery of its sales, thereby entrusting to its competitor the names of the buyers, a full description of the goods, and their prices! In addition to this folly, another disadvantage from dependence on a foreign merchant fleet occurs when there is a shortage of tonnage, for preference is naturally given by the foreign vessel to carrying the commerce of its own ports, not only from a possible sense of loyalty, but at times from a desire

to affirmatively injure our foreign commerce, as a competing nation.

Furthermore, when the nation whose flag the foreign vessel flies needs vessels because of war or some other national emergency, however much inclined the owners might be to continue operating their vessels in commerce, their government may take them at any time without regard for the inconvenience or loss our merchants will suffer in their foreign commercial relations. This aspect of the matter is not merely academic—it was our experience when Great Britain withdrew large portions of her tonnage, to assist in transport work during the Boer War; and we experienced it in a still greater degree during the World War. Our only protection is to have an ample merchant marine under our own flag, subject to no call which has priority over our own, whether in time of peace or time of war.

Unfortunately many of our people have been quite indifferent to the situation. This is particularly true of those citizens who reside at places remote from the seaboard and whose immediate contact with problems of ocean transportation is very slight. In too many cases it has seemed as if Americans interested in foreign commerce, whether residing in the interior or on our coasts, have seemed content to have their imports and exports transported to their destination, regardless of the flag of the vessel by which they are carried; they have seemed to give very little, if any, thought to the deeper principles and policies involved. Happily, greater interest has existed in recent years, and we trust the time is near when the problem of

ocean navigation will receive the careful and thorough attention of all our people, not only in its relation to our coasts, but in its relation to the new and great possibilities which are presented in the proposed plan to more effectively link up the Great Lakes with the Atlantic ocean.

This work on the merchant marine is presented with the hope that it will not only in itself be informing, but also that it will cause wider reading and deeper thought on a matter which is vital to our national welfare.

In its preparation I have drawn very largely from the works of Mr. John R. Spears, Mr. Winthrop L. Marvin, and Mr. William W. Bates, as aids in research and in quotations from their texts. "The American Merchant Marine," by Mr. Marvin, "The Story of the American Merchant Marine," by Mr. Spears, and "American Navigation," by Mr. Bates, are classics in this field of literature. I am greatly indebted to these authors; and also to members of the staff of the United States Shipping Board for their counsel and assistance.

WILLIAM S. BENSON.

Washington, D. C., January 1st, 1923.

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# THE MERCHANT MARINE



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## CHAPTER I

HISTORY reveals that sea power has always played an important if not a controlling part in the development and expansion of great nations. When the world's ancient civilizations were centered within a limited area of the globe, empires waxed and waned without reference to their relative strength on the seas, but when the centers of life and activity developed in distant countries, and communication depended largely on transit by sea, then the contest for power was largely transferred to the sea.

To the Phoenicians belongs the honor of having first engaged in foreign water-borne commerce. The impelling force which made them first do so, arose from traffic in the far-famed Tyrian dyes, used by the ancients for coloring their fabrics. These dyes were produced in the vicinity of Tyre, hence their name. Their essential elements were extracted from small shellfish of that region, the local supply of which was in time exhausted. Not willing for that reason to abandon the industry, the Phoenicians sought new sources of supply, and this quest led them across

the sea to other countries and people, with whom they exchanged wares in return for the desired shell. Thus seems to have been established 2,600 years ago, the first foreign commercial fleet of the world. Among the articles traded in by the Phoenicians were tin and copper, and amber secured from the Baltic. Their trade policy was to establish freedom of intercourse with everyone possible, to import raw materials, to export manufactured articles in their own ships to all parts of the known world, to found colonies and trading posts and agencies in foreign lands, and to avoid all protective duties and other measures which might hinder trade. The development of Phoenicia was remarkable, and in the course of her foreign trade she established many colonies.

Carthage, the most important of these colonies, seems to have followed the policies of her Tyrian founders throughout her period of great power, and in turn established colonies in Spain and in West Africa. In self-defense she developed an armed naval force. In an early expedition to Spain it is said her fleet consisted of sixty ships of fifty oars each. The trade of the Carthaginians was conducted with a faith in one's neighbor similar to that shown, on a very small scale, by the modern news dealer of Washington, D. C., who leaves his papers unattended, where they are most convenient for the public, knowing the citizen will leave a coin in return for any paper taken. The ancient method is described by Herodotus as follows: "The Carthaginians are wont to sail to a nation beyond the Pillars of Hercules, on the Libyan coast. When they come there, they transport their wares on

shore and leave them, and, after kindling a fire, go back to their ships. Upon this signal the natives come down to the sea, and placing gold against the wares, again return. The Carthaginians then again approach, and see whether what they have left be sufficient. If it be, they take it and depart; should it, however, not be enough for their wares, they again go back to their ships and wait; and the other party bring more gold, until the strangers are satisfied. But neither party deals unfairly by the other, for the one touches not the gold till the value of the wares be brought, nor the other the wares until the gold be taken away." This custom obviously was not founded on fear of robbery; but it suggests the fear of physical friction, should negotiations face to face be employed.

The ancient Venetians also played a large part in the world's early foreign commerce. Originally an inland people, their contact with the sea resulted from the incursions of the Huns and Vandals into northern Italy. Many of these Italians retreated to the inaccessible and uninviting lowlands at the head of the Adriatic, accurately assuming that the barbarians would not follow them. There they built the city of Venice and dwelt in safety while much of European civilization was being destroyed. The growing wealth of Venice so tempted her piratical neighbors that the Venetians were forced to arm their merchant vessels. In this spirit of defense they developed a nucleus for their famous fleet, the importance of which was recognized by the Emperor Basil who conferred on the Venetian merchants far more extensive privileges than any they had hitherto enjoyed, on condition however,

that the Venetian fleet should always be at the disposition of the emperor. The freedom of her merchants to develop commerce resulted in a great advantage to them during the Crusades. Venice "commanded the route to the Holy Land and could supply the necessary transport; and from the Crusades her growing aristocracy reaped large profits. . . . The result of the first three Crusades was that Venice acquired trading rights, a Venetian quarter, church, market, bakery, etc., in many of the Levant cities." These advantages in favor of Venetian trade in the Levant, and its resultant growth, aroused the jealousy of Genoa. A war followed in which the Venetians were unsuccessful. Nevertheless "when the fourth Crusade was proclaimed at Soissons, it was to Venice that the leaders applied for transport, and she agreed to furnish transport for 4,500 horses, 9,000 knights, 20,000 foot, and provisions for one year. The price was 85,000 silver marks of Cologne, and half of all conquests." And later, after numerous wars which resulted from an increasing rivalry between Venice and Genoa, the Genoese fleet surrendered (1380), leaving Venice the undisputed mistress of the Mediterranean and the Levant trade.

Spain, so prominent in discoveries, and with a situation favorable for commerce, might be expected to have maintained a leading place in the shipping commerce of Europe. However, the period of Spanish explorations and conquests which brought to her people the treasures of the Western world, so incited men to careers of adventure and discovery, that agriculture and manufactures were neglected and her power de-

cayed. Built for conquest, the Spanish ships were the strength of the fleet that won the battle of Lepanto (1571), thus contributing largely to saving Europe from the Ottomans. Although the destruction of the Spanish Armada (1588) had the effect of increasing and developing shipbuilding in England, it did not destroy Spain's ability to build ships, for in the great rivalry in naval architecture which existed among Spain, France and England at the end of the 18th and the beginning of the 19th century, Spanish designs took the lead. The loss of all her possessions on the American mainland in the early part of the 19th century dealt a severe blow to Spanish foreign commerce, from which it did not recover until about 1850, when imports and exports began to increase. The further loss of nearly all that remained of her colonial empire, in the Spanish-American War (1898), though in appearance a crowning disaster, in fact relieved Spain of a perennial source of weakness and trouble, and gave her full opportunity to develop her own resources. With generous government aid in the form of navigation and construction bounties and postal subventions, and with the purchase and nationalization of many English and French steamers, the merchant marine has slowly continued to grow, and Spain is now recorded (Lloyd's, 1921) as the eighth ranking sea power.

Holland is prominent in her historical juxtaposition with the development of the British Merchant Marine. Though small in area and having limited products for export in direct trade with other nations, she became great through the possession of a vast fleet, and for a period controlled the carrying trade of the world. Her

power and prestige blocked the growth of England in her ambition on the seas. The Navigation Acts of Oliver Cromwell were aimed at her, and these Acts finally led to war and to the destruction of the Dutch fleet, resulting in the ascendancy of the English fleet, the prestige of which has never since been lost. The impelling force behind England's aspirations for a great navy is more than a mere ambition for power; it arises from necessity, because of her dependency on foreign countries for home supplies, and because of her widespread dominions with which she must keep in contact.



## CHAPTER II

### EARLY ACTIVITIES OF GREAT BRITAIN

THE interest of Great Britain in the development of a merchant marine naturally appeared at an early date. We learn that Alfred the Great encouraged (871-901) foreign trade with the Mediterranean; also that Athelstan directed (925-940) "that every merchant who made three voyages to the Mediterranean on his own account would be classed as a 'gentleman.'" A century later Edward the Confessor created the "Cinque Ports" of England, with special privileges to the seamen of those ports so that the growth of a maritime life could proceed unimpeded by civil or military administrations. Then came the Norman Conquest (1066), followed by confirmation of the concessions to the "Cinque Ports." Edward I. in turn granted them a new and extended charter. They became important factors in the history of English commerce.

Under Edward III. (1327-1377) Great Britain possessed 707 merchant ships, manned by 15,000 sailors. This fleet, a great fleet for the period, did effective work in the Hundred Years War. Notwithstanding the success of the British in destroying the French fleet at Sluys, it was a Pyrrhic victory in a sense, for

the use of Britain's commercial fleet to promote her war program resulted in the Hanse towns of Northern Europe absorbing the world's carrying trade.

This was the condition in the reign of Richard II. (1377-1399). British merchants awakened to their danger and obtained the enactment of a law which provided "that for increasing the shipping of England, of late much diminished, none of the King's subjects shall hereafter ship any kind of merchandise, either outward or homeward, but only in ships of the King's subjects, on forfeiture of ships and merchandise; in which ships also the greater part of the crews shall be of the King's subjects."

This step was the turn in the tide which brought about the gradual expansion and finally the dominance of British shipping on the high seas. The effect of course was not immediate, for soon afterwards British shipping alone proved inadequate for the carrying of British imports and exports. Hence the Act of Richard II. was in a measure ignored, and a year after its enactment Parliament amended the provision so that citizens could use foreign ships when English ships were not available; and in the first year of the reign of Elizabeth (1558) the law was further amended so as to permit citizens to use ships of any flag, without condition; but foreign vessels were prejudiced by preferential duties in favor of British ships; nor were foreign ships permitted to engage in the coastwise trade. At the time of this enactment the English Merchant Marine had in it 135 vessels. The beneficial effects of the new legislation were shown in twenty years; by that time the number had increased to 400.

The following quotation from an English pamphlet, published about 1681, reveals the attitude and spirit of the English people at that period: "As concerning ships, it is that which every one knoweth and can say: they are our weapons, they are our ornaments, they are our strength, they are our pleasures, they are our defense, they are our profit. The subject by them is made rich; the Kingdom through them strong; the Prince in them is mighty. In a word: by them, in a manner we live, the Kingdom is, the King reigneth."

In touching on the part Holland has taken in the history of the merchant marine, we have referred to the keen competition which developed between Holland and England, on the high seas. The Navigation Acts, adopted by England, were reasonable in their purpose. At that time a large part of England's foreign commerce was carried in Dutch vessels, and the English very justly aspired to transporting their commerce in their own vessels. The Cromwell Navigation Act (1651) provided: "that no merchandise, either of Asia, Africa or America, including also our own plantations, should be imported into Britain in any but English built ships and belonging to English or English plantation subjects, navigated also by an English commander and three-fourths of the sailors to be Englishmen; excepting, however, such merchandise as should be imported directly from the original place of their growth or manufacture in Europe solely. Moreover no fish should thenceforth be imported into England or Ireland, nor exported from thence to foreign ports, nor even from one of our own home ports to another, but what shall be caught by our own fishers only."

An earlier provision of English law not only subsidized the English fishing fleet, having in view the hardy development of men for service in the merchant marine and in the Navy; but also required that on two days of each week citizens should not eat any meat, and by this encouragement of the use of fish, it of course extended the fishing industry.

Other British laws in this field were passed in 1660 and 1663. Their purpose, as stated in one of them, was: "the maintaining of the greater correspondence and kindness between subjects at home and those in the plantations; keeping the colonies in a firmer dependence upon the mother country; making them yet more beneficial to it; . . . it being the usage of other nations to keep their plantation trade exclusively to themselves." These laws prohibited absolutely the exportation of certain products from the American colonies to countries other than Great Britain. Whatever their destination, they were required to be first sent to Britain and "there laid upon the shore," an expression used doubtless to prevent technical compliance with the law, by mere entry of the vessel in a British port but sailing from there to her ultimate destination. Among the articles subject to this provision were sugar, molasses, ginger, tobacco, cotton, hides, skins, grain, lumber, etc., the items on the list becoming well-known in commerce as "enumerated articles." A similar provision restrained imports into the American colonies except from England. The effect of these laws was the establishment of a complete monopoly on the part of England over the trade of the colonies.

To encourage the construction and equipment of merchant vessels and to have them readily usable in war, Parliament granted (1694) a reduction of the tonnage and poundage assessments, on vessels which had at least three decks and were of 450 tons burden, and which were armed with thirty-three guns. This was limited, however, to vessels built during the succeeding ten years. The requirement of armament was entirely consistent with the equipment of a merchantman, for in that period and for more than two centuries later, merchant vessels were exposed to more than perils of the sea in their extended journeys, for the seas were infested with pirates.

The effectiveness of these subsidizing and protective items of the law was reflected in the growth of the British Merchant Marine. In 1701 England's merchant fleet had 3,281 ships, measuring 261,000 tons; this represented an increase of about 300 per cent in a little over thirty years; but this substantial increase is negligible compared with her growth through the eighteenth century. At the commencement of the Revolutionary War she had 950,000 tons. Through that war she lost about 300,000 tons; yet in 1790 her commercial fleet had increased greatly; it then had 1,460,823 tons. Although her commerce is greatly exposed whenever she is engaged in war, nevertheless, as the close of the Revolutionary War witnessed a great expansion of her fleet, notwithstanding large losses during hostilities, so the close of the recent World War has witnessed a great expansion of her merchant fleet; it is far greater today than it was

previous to the last war, in spite of the great ravages of German cruisers and submarines on her merchant vessels.

Notwithstanding the restraints of the English Navigation Laws, the shipping of the American colonies prospered. The shipbuilding industry also thrived, and many vessels were built not only for home use but also for foreigners, including Englishmen. The excellent material available and the cheaper construction possible in the Colonies made successful competition with the British yards possible. We are told that in 1676, Massachusetts alone had 430 vessels, ranging from 30 to 250 tons burden. The effect our colonial prosperity in this field had on the British mind was reflected in a comment of Sir Josiah Child: "Of all the American plantations His Majesty hath none so apt for the building of shipping as New England, nor none comparably so qualified for the breeding of seamen, not only by reason of the natural industry of that people, but principally by reason of their cod and mackerel fisheries." And to this he adds a statement which for the first time gave expression to what has since been known as the "American Peril." He said: "And, in my poor opinion, there is nothing more prejudicial, and in prospect more dangerous to any mother kingdom, than the increase of shipping in her colonies."

## CHAPTER III

### COLONIAL PERIOD IN AMERICA

THE initial step in shipbuilding in the Colonies was the construction of the 30-ton vessel "Virginia," in Maine (1607); its construction was prompted by the cod fisheries on the banks of Newfoundland. The drawing power of these banks dates back to an early period; in 1577 as many as 350 vessels were found there in season. The tribute to the courage, fortitude and sea skill of these fishermen paid by John R. Spears, in "The Story of the American Merchant Marine," deserves quoting: "Though dimly seen now, those fishermen, as they flocked across the sea in the spring, form one of the most striking pictures in history. For no one had ever charted the western limits of that waste of waters. The Banks lay beyond a belt of the sea famous, or infamous, as the 'roaring forties.' And yet in ships so rude that the hulls were sometimes bound with hawsers to hold them together these men anchored where black fogs shut them in, where sleet-laden gales were a part of their common life, where bergs and fields of ice assaulted them, and where irresistible hurricanes from the unknown wilds beyond came to overwhelm them. To these real dangers they added others that, though born of the imagination, were still more terrifying. They saw evil spirits in the storm clouds, and demons came shrieking in the gales to carry their

souls to eternal torment. Even in pleasant weather life was hard. Masters ruled their crews by torture. To punish an obstinate sailor they wrapped a stout cord around his forehead and then set it taut until his eyes were popped from the sockets. The food brought from home spoiled. In the best vessels the crew slept in leaking, unwarmed forecastles, while in some of the vessels—those that were but partly decked over—they slept unsheltered. The brine of the sea covered them with sores called sea boils, and their hands dripped blood as they hauled in their cod lines.” It was to join in the experiences of this fleet that the “Virginia” was constructed. She carried a sprit-sail and a jib, and was provided with oars. Her hull was decked, but only enough to protect the cargo; yet she engaged, not only in the fishing industry but in overseas trade, having made at least one voyage to England.

The next vessel constructed in the American colonies was built in the young colony of Jamestown, Va. She was much smaller than the “Virginia” and was probably used chiefly in local traffic. In 1620 the “Mayflower” arrived, bringing the maritime spirit of Holland. Several years passed, however, before Plymouth built its first vessel. In 1624 two shallops were launched for use in the cod fisheries.

The Dutch, having settled on Manhattan Island, built a number of small boats for commercial use at an early period. Adrian Block, one of the Dutch settlers and after whom “Block Island” was named, built a yacht (1614–15) for the coasting trade. In 1629 an influx of colonists came to Massachusetts, among whom were many excellent mechanics, including ship-



builders. These settled on the Mystic River and established in 1630 the first American shipyard, at the point where Medford now stands. The first vessel built at the Mystic River shipyards, a bark of 30 tons, named the "Blessing of the Bay," was launched July 4, 1631, and became the pioneer in establishing commercial relations between New England and the Dutch of Manhattan Island. The same year another shipyard was established in New England; it was on Richmond Island, near Portland. Here a vessel of 30 tons was built on order from English merchants, and was sent to England for delivery.

At an early day Salem, Mass., under the leadership of Hugh Peter (who subsequently became eminent as Secretary to Oliver Cromwell), became active in the fisheries. Peter saw the possibility of the industry and did much, not only to develop the interest of the people, but to procure capital for its promotion. The fisheries enterprise developed rapidly, and in 1640 the people of Salem built a vessel of 300 tons, an exceedingly large vessel for the period. Soon afterwards a vessel of 200 tons was built at Boston, and in 1636 the "Desire," 120 tons, was built at Marblehead. These larger vessels, however, were very few in comparison with the many smaller vessels built for the fishing banks.

In 1639 the General Court of Massachusetts, to encourage and assist in the construction and operation of vessels, exempted fishing vessels from all charges, for a period of seven years; it also exempted persons engaged in the construction and operation of vessels from certain public services.

During this early period of our mercantile marine many owners gave all hands of the crew an interest in the catch in place of definite wages. In the 17th century the owner received one-half the value of the catch and the crew the remaining one-half; in the 18th century the owner's share had dropped to one-fifth, the remainder going to the captain, officers and crew. In some instances the loyalty of the common seaman to the success of the voyage was increased by the allotment of small portions of cargo space for his individual ventures.

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The economic aspect of shipping was also grasped by the colonists, at an early date. They recognized that great loss of profit resulted to the country, if not to the shippers, in paying foreign ships to transport their cargoes to Europe. Hugh Peter had observed the disadvantages of the system and urged as a solution of the problem the domestic ownership of the vessels, with officers who were trained and empowered to negotiate sales, in place of having to entrust sales to foreign merchants. The activities of the ship's master, when acting as "merchant," are illustrated by Mr. Spears in his book to which reference has been made. Referring to a trip of the "Trial," he says: "Loaded with fish and pipe-staves, she sailed away to Fayal (1642). Fayal was chosen because the people there had religious views leading them to eat fish instead of flesh on many days of the year, and they were wine-makers who used many casks every year. The 'Trial' found the market at Fayal 'extraordinary good,' and

Captain Coytemore exchanged the fish and staves for wine, sugar, etc., which he carried to St. Christopher's, in the West Indies. There he traded wine for cotton, tobacco, and some iron which the people had taken from a ship that had been wrecked on the coast, and was then visible, though so far under water that the wreckers had abandoned all work upon it. As the New Englanders were exceedingly anxious to get all kinds of iron things used about a ship, Captain Coytemore must needs have a look at the wreck, and after due examination, he determined to try to recover more of the wreckage. Slinging a 'diving tub' (doubtless a good stout cask, well weighted, and with the open end down), above the hulk, he got into it, and having been lowered to the sunken deck, made shift to hook good stout grapnels to the valuable things lying within reach."

The difference between the early speculative spirit and the spirit of the wise and studious merchant is reflected in the history of Elias Derby of Salem, who engaged in foreign commerce early in our history. The trade with China was then opening up propitiously for American vessels. Derby did not, however, enter it prematurely; he first incurred considerable expense in sending his vessels, with some cargo, to the Cape of Good Hope, and there trading with English vessels on the route to China, not for the trading itself, but as an opportunity to investigate, and to consult with their skippers, thus learning the attractions and prevailing conditions at different points in the world's commerce. In line with the same policy, he sent his son to Europe to engage definitely in the Far Eastern trade. After

these careful preliminaries he made his ventures, and very successfully.

The prudence and care of Captain Derby were likewise shown in his instructions to the captains of his vessels; these were framed with minute detail, but nevertheless, he usually closed them with full discretionary powers, for example: "You have leave to break them (the orders) in any part where you by calculation think it for my interest." Voyages in those days sometimes consumed many months, during which no opportunity existed for communications with the home office; the Captain's precautions for emergencies that might arise during these long periods, were reflected in orders like the following: "It is likewise my order that in case of your sickness that you write a clause at the foot of these orders putting the command of the ship into the person's hands that you think the most equal to it, not having any regard to the station he at present has in the ship." His preference for real merit rather than mere rank will be noted.

The care with which captains of that period took the part also of merchants, is reflected in the following letter to the owners from the master of their vessel (1758):

"I wrote you the 1st instant by way of Cadiz and Lisbon; since which I have landed my white sugar and sold it for \$17½ per cwt., and my tar I have sold at \$8½ per bbl. . . . I hope to get \$12 for my brown sugar. We have this day had the 'Sallie' delivered up to us, and intend to sell her for the most she will fetch; as to sending her to the West Indies, I am sure if she was loaded for St. Eustia, she would be seized by

the privateers before she got out of the road, and having no papers but a pass, would be sufficient to condemn her in the West Indies, if she should be taken by an English cruiser. I have bought 140 casks of claret, at \$10 per cask, which I intend to bring home with me. I have written Alicant for 500 dozen handkerchiefs, if they can be delivered for \$4 current per dozen. My cargo home I intend shall be 140 casks of claret, 20 butts of Mercil wine, 500 casks of raisins, some soap, and all the small handkerchiefs I can get."

The exclusion, in the early part of the 19th century, of American vessels from trade with the West Indies, had the beneficial effect of our mariners going on long voyages they would never have risked. In referring to these daring voyages to distant parts of the world, Mr. Marvin, in "The American Merchant Marine," writes: "Some of these craft, of course, were very small—incredibly small judged by our modern standards. One of the most famous of them was a little eighty-ton sloop, the 'Experiment,' built at Albany and commanded by a bold and resourceful mariner, Stewart Dean, who had been a privateersman in the Revolution. This singularly well-named vessel was no larger or more seaworthy than any ordinary Hudson River sloop of the present day, freighting bricks from Haverstraw to Manhattan. Captain Stewart Dean and his good mate, John Whitten, were audacious sailors to venture in such a cockleshell to the other side of the world. It is even asserted that the 'Experiment' was the real pioneer in our Canton trade—that she anticipated the 'Empress of China.' But it is certain that Captain Dean went out from New York to Can-

ton, that he returned to New York after an excellent passage of four months and twelve days—a voyage which modern two-thousand-ton clippers have not always excelled—and that he brought back all of the fifteen men and boys who composed his crew, ‘having had no sickness whatever during his absence from the United States.’ This little eighty-ton sloop of the eighteenth century had to face not only the typhoons of the eastern seas, but the even more treacherous pirates whose swift proas swarmed in the waters of the Malay archipelago. They had no terrors, however, for stout old Stewart Dean. Behind his Lilliputian bulwarks he mounted six carriage guns, and his fifteen men and boys had plenty of muskets, boarding pikes, and cutlasses. Indeed, the valiant spirit of the captain of this odd little old East Indianman went even further, for an eye-witness of her arrival from Canton has left a record that the sloop hauled into the wharf, on her return to New York, in regular frigate fashion; ‘martial music and the boatswain’s whistle were heard on board, with all the pomp and circumstance of war!’” And at another point, he continues: “It was the sharp demand of absolute necessity, therefore, which drove our ships and our sailors to the uttermost parts of the earth. Of course, many of the early vessels were hastily built and ill provided. But even this was not the worst of it. An American ship, large or small, was then an Ishmael of the ocean. It had a flag, but nothing else. There was no government to protect it, there were no consuls to guard its interests in the alien ports which it entered, no line-of-battleships or frigates to shield the peaceful

merchantman with their rows of shotted guns. The English, French, or Dutch traders in the East were sheltered by a recognized nationality and an active naval force, but the American mariners had nothing to depend on but their own cool courage, their breadth of canvas, and the swiftness of their keels."

We have made several references to American merchantmen being equipped with guns for their protection against pirates. As late as the 19th century the Mediterranean was infested with pirates, many of whom had their headquarters in the Barbary States. The fact that Britain with all her power took no adequate steps for their suppression excited suspicion that an ulterior motive controlled. The motive was finally revealed by an eminent Englishman, Lord Sheffield (1784), who wrote as follows: "It is not probable that the American States will have a very free trade in the Mediterranean; it will not be to the interest of any of the great maritime powers to protect them from the Barbary States. They cannot protect themselves from the latter; they cannot pretend to a navy." Further evidence on the attitude of European nations in the matter appears in a letter written by Edward Church, American consul at Lisbon, on October 12, 1793, relative to the Algerine pirates. Portugal had been protecting her trade by means of warships, and had incidentally afforded convoy to several American merchantmen in those waters. Having learned that a number of Algerine corsairs had gone cruising in the Atlantic, Consul Church went to the Portuguese Minister of Foreign Affairs to learn why the Portuguese warships had allowed them to leave the Medi-

terranean. The minister replied that Charles Logie, British consul at Algiers, acting under orders from the British government, had concluded a treaty of peace between Algiers and Portugal. Portugal, he said, had not authorized such a treaty, nor had she been consulted as to the terms. The British government had guaranteed the execution of the treaty, and the payment of the tribute that it called for, and with the British to aid them the pirates had gone forth to prey on commerce. Church, with more attention to accuracy than diplomatic language, termed the arrangement thus made a "hellish conspiracy" against American shipping. In the spirit of the times which found "millions for defense but not one cent for tribute," the young American government promptly sent a fleet under Stephen Decatur to the Mediterranean, to protect American shipping from these Barbary pirates.

The colonists did not submit passively to the restraints of the British Navigation Acts; they evaded them on every opportunity; this was true not only of the individual mariner but also of colonial officers. It seems that bounties were offered under colonial laws for successful commerce with the ports closed to our direct trade. Great Britain retaliated these evasions by the colonies, with further restrictive measures, and sought to enforce them not only through customary methods, but also by military measures.

Mr. Spears, whom we have quoted before, mentions this illustration of the smuggling countenanced by the colonial governments: "When the ship 'Fortune,' Captain Thomas Moston, came to port, bringing cargo



worth £20,000 direct from Madagascar (where it had been purchased of a gang of pirates), and (Governor) Bellomont asked Collector of Customs Chidley Brooks to seize her, he replied that it was none of his business, but belonged to a Man of War; that he had no boat; and other excuses; and when I gave him positive commands to do it, which he could not avoid, yet his delay of four days gave the smugglers time to unload and conceal all of the cargo except a part estimated to be worth £1,000. Thus runs one of Bellomont's letters. He also acknowledged that several cargoes had already been smuggled in without his learning the fact until it was too late to intercept them. In Boston, as Bellomont learned, there were various ways of smuggling. 'When ships come in the masters swear to their manifests; that is, they swear to the number of parcels they bring, but the contents unknown; then the merchant comes and produces an invoice, and whether true or false is left to his ingenuity.' . . . Returning to New York from Boston, Bellomont wrote that 'Nassaw alias Long Island' was notorious for smugglers and pirates. 'There are four towns that make it their daily practice to receive ships and sloops with all sorts of merchandise, tho' they be not allowed ports.' They were 'so lawless and desperate a people' that the governor could 'get no honest man' to go among them to collect the revenue. From Long Island the goods were brought to New York by wagons and small boats. 'There is a town called Stamford in Connecticut colony' where 'one Major Selleck lives who has a warehouse close to the Sound . . . That man does us great mischief with his warehouse for he receives abundance

of goods, and the merchants afterwards take their opportunity of running them into this town.' ”

The importance of a merchant marine as a factor in the national defense was demonstrated during the Revolutionary War, for the colonies were of course entirely lacking proper naval forces, for the struggle. Our achievements on the high seas were made chiefly with merchant ships, hastily equipped for naval warfare; a transformation more practical then than at present; for they were then always partly equipped with guns, in anticipation of struggles with pirates.

The exploit of Captain Haraden, master of the “Pickering,” carrying fourteen 6-pounders and fifty men, as recorded by Mr. Spears, aptly illustrates the effective work done by our privateers: “At this period of the war the British, taught by experience, had sent out fleets of frigates and sloops of war, besides many brigs, cutters, and privateers of large size in order to suppress the armed ships of the ‘rebels.’ On the way across, Haraden met a heavy cutter and beat her off. While reaching across the Bay of Biscay, one night, he overhauled a ship the lookouts of which appeared to be asleep; for there was no stir upon her deck until Haraden hailed and ordered her to surrender, saying that his ship was an American frigate and he intended firing a broadside immediately. The sleepy captain obeyed the order. It was then learned that she was a privateer much superior to the ‘Pickering’ in the number of guns and of men. On arriving off Bilboa a big armed ship was seen coming out, and the captured captain told Haraden she was the privateer ‘Achilles,’ mounting forty-two guns and manned by 140 men. ‘I

shan't run from her,' said Haraden, quietly. The 'Achilles' took possession of the privateer captured in the Bay of Biscay, but because it was a calm night, and the 'Pickering' would be unable to escape, the captain of the 'Achilles' determined to wait until morning before attacking. On seeing this, Haraden arranged a proper lookout and then went to sleep. At dawn, when the 'Achilles' came down ready for battle, the 'Pickering' was lying so far inshore that a throng of people, supposed to number 100,000, gathered on the hills to watch the contest, and they found the spectacle worth the trouble taken. Calling his men to the mast, Haraden assured them that they would win in spite of the greater force of the enemy, and then ordered them to 'Take particular aim at the white boot top.' Inspired by the air of confidence with which the captain had addressed them, the men returned to quarters. Their ship was loaded down so far in the water that she 'appeared little larger than a long boat' when the 'Achilles' ranged alongside, but, as Captain Haraden had foreseen, the difference in height gave him a decisive advantage. The 'Achilles,' with her great battery and numerous crew, opened a fire that seemed overwhelming. But at that time (and for years afterward) English sailors relied upon speed of fire only, to win their battles; the guns of the 'Achilles' were discharged without aiming, and because the gun deck was far above the water, nearly every shot passed over the 'Pickering.' But the American gunners were half sailor, half backwoodsmen; they took particular aim at the white boot top of the 'Achilles,' and drove so many shot through her side near the water-line that,

after about three hours of fighting, the British captain found he would have to haul off or sink. He decided to fly."

It was courage and ability like that displayed by Captain Haraden which resulted in the capture of 3,000 or more British ships during the Revolutionary War; however, the injury inflicted upon American commerce by British cruisers was equally great, and at the close of the war the American Merchant Marine was in a very depleted condition.

Notwithstanding the general depression prevailing, some of the more courageous owners sent their vessels on voyages to the far east. We find a letter recorded in the Journal of Congress (1784) in which Daniel Parker mentions that a ship called the "Empress of China" was soon to sail from New York for Canton, China, and requesting the issue of sea letters. These "letters" were duly issued, and are interesting because of their pompous phraseology. Those for whom the document was intended are addressed as follows: "Most serene, most puissant, puissant, high illustrious, noble, honorable, venerable, wise and prudent emperors, kings, republics, princes, dukes, earls, barons, lords, burgomasters, counsellors, as also judges, officers, justiciaries, and regents of all the good cities and places, whether ecclesiastical or secular, who shall see these patents or hear them read." It is gratifying that the form of address for international communications has been made much simpler, since that period.

The voyage of the "Columbia" in 1789, also has great interest; she was the first vessel under the American flag to sail around the world. On that occasion

she went around Cape Horn and then as far north as Nootka Sound, in British Columbia. While going up the coast her master, Captain Gray, discovered the Columbia River, the name being given to it from the name of the vessel. This discovery was an important factor in later years when the controversy arose between Great Britain and the United States as to the true line of our northwestern boundary. This discovery would have been made by an Englishman for England had Commodore Vancouver shown the same zeal shown by Captain Gray. The Captain met the Commodore at sea just north of the mouth of the Columbia, and they exchanged notes; they especially inquired about their respective explorations and discoveries. Captain Gray commented on his discovering the Columbia, and the Commodore stated he had observed the indentation of the coast at that point, but had not thought it of sufficient importance to enter. Had he done so a large part of our northwestern territory might have been lost in the later controversy.

## CHAPTER IV

### AFTER THE CONSTITUTION OF 1789

THE commercial relations of the independent states in their foreign trade were especially affected by the weaknesses of the Articles of Confederation under which they were partly governed during the period from the close of the Revolution to the adoption of the Constitution in 1789. The level to which our Merchant Marine had fallen is shown in a petition to the First Congress, from merchants of Charleston, S. C., in which they said: "From the diminished state of shipbuilding in America, and the ruinous restrictions to which our vessels are subject in foreign ports; from the distressed condition of our commerce, languishing under the most disgraceful inequalities; its benefits transferred to strangers . . . who neither have treaties with us . . . nor are friendly to our commerce"; and because of these conditions they urged on Congress the importance of immediate legislation; and Congress lost no time in responding to this and the general appeal for assistance to our Merchant Marine.

At its first session (1789) it passed important Acts relating to shipping, and adopted "discriminating duties" as a definite policy in favor of American shipping. The principle was not new to the States. Vir-

ginia had employed it in the 17th century, by imposing a heavier duty on wines when imported in foreign ships than when imported in American ships. Prior to the Treaty of Commerce and Navigation between England and the United States (1815) both nations applied the principle, in favor of their respective vessels. In addition to the discriminating tariff duties in favor of American ships, Congress also imposed (1789) discriminating tonnage taxes, which gave American vessels a very great advantage over foreign vessels in ports of the United States.

The zeal of the federal government was not spent with the passage of this helpful legislation of the First Congress. The following year the President of the United States, in his annual message to Congress, referred to the merchant marine as follows: "We should not overlook the tendency of a war and even of preparations for a war among the nations most concerned in active commerce with this country, to abridge the means, and thereby at least to enhance the price of transporting its valuable productions to their proper markets. I recommend it to your serious reflection how far, and in what mode, it may be expedient to guard against embarrassments from these contingencies, by such encouragements to our own navigation, as will render our commerce and agriculture less dependent on foreign bottoms, which may fail us in the very moments most interesting to both of these great objects."

Thomas Jefferson, when Secretary of State (1793), revealed his interest in shipping by the following comment: "Were the ocean, which is the common prop-

erty of all, open to the industry of all, so that every person and vessel should be free to take employment wherever it could be found, the United States would certainly not set the example of appropriating to themselves exclusively any portion of the common stock of occupation. They would rely on the enterprise and activity of their citizens for a due participation in the benefits of the sea-going business, and for keeping the marine class of citizens equal to their object. But if particular nations grasp at undue shares, and more especially, if they seize on the means of the United States to convert them into aliment for their own strength, and withdraw them entirely from the support of those to whom they belong, defensive and protecting measures become necessary on the part of the nation whose marine resources are thus invaded, or it will be disarmed of its defense, its productions will lie at the mercy of the nation which has possessed itself exclusively of the means of carrying them, and its policies may be influenced by those who command its commerce. The carriage of its own commodities, if once established in another channel, cannot be resumed in the moment we may desire. If we lose the seamen and artists whom it now occupies, we lose the present means of marine defense, and time will be requisite to raise up others, when disgrace or losses shall bring to our feelings the error of having abandoned them."

The beneficial effect of this policy of discrimination in favor of American shipping was immediate and marked. According to Mr. Spears: "On December 31, 1789, ships of an aggregate capacity of 123,893 tons were registered under the American flag for for-



eign trade. In 1792 the tonnage registered was 411,438. In 1793, the first year of extensive spoliations, the tonnage was reduced to 367,734, but thereafter, in spite of the fact that Americans were obliged to fight their way through swarming enemies, our shipping grew until in 1800 we made boast of the possession of 667,107 tons in the foreign trade. Further than that, British shipping aggregating 115,000 tons entered and cleared out of American ports in 1790, but in 1800, only 40,000 tons. From 1790 to 1792 the American tonnage that entered and cleared averaged 54,000 tons a year; in 1800 the tonnage that entered and cleared was 236,000.

At the time of the enactment of the helpful legislation of 1789, only seventeen per cent of our imports and thirty per cent of our exports were being carried in vessels of the United States. Twenty-two years later (1811) ninety per cent of our imports and eighty per cent of our exports were being carried in vessels of the United States. Notwithstanding the effectiveness of discriminating duties in upbuilding our merchant fleet, nevertheless in its desire to have free and reciprocal trade relations with other countries of the world, Congress passed the Act of March 3, 1815, and abolished discriminating duties in certain cases of *direct* foreign trade, but not as to vessels operating in *indirect* trade. The Act provided that "so much of the several acts imposing duties on the tonnage of ships and vessels, and on goods, wares and merchandise, imported into the United States, as imposes a discriminating duty of tonnage, between foreign vessels and vessels of the United States and between goods im-

ported into the United States in foreign vessels and vessels of the United States, be, and the same are hereby repealed, so far as the same respects the produce or manufacture of the nation to which such foreign ships or vessels may belong. Such repeal to take effect in favor of any foreign nation, whenever the President of the United States shall be satisfied that the discriminating or countervailing duties of such foreign nation, so far as they operate to the disadvantage of the United States, have been abolished."

In harmony with the above Act, the negotiation of the Treaty of Commerce and Navigation between the United States and Great Britain was concluded July 3, 1815, and went into effect by proclamation December 22, 1815, to continue in force four years. Its extension for an additional ten years was subsequently arranged; and later, on August 6, 1827, it was indefinitely extended, subject to its termination by either party on one year's notice; it is still in force. This treaty provides not only that the nationals of the two countries may reside in the respective territories, but also that "the merchants and traders of each nation, respectively, shall enjoy the most complete protection and security for their commerce, but subject always to the laws of the two countries, respectively. They shall have liberty freely and securely to come with their ships and cargoes to all such places, ports, and rivers, to which other foreigners are permitted to come." The treaty applies only to "articles, the growth, produce or manufacture" of the countries involved; it therefore did not apply to articles brought into either country from a third country; though it

would seem to apply to raw materials though imported, when embodied in manufactured articles when these in turn were exported under the terms of the treaty. It further provides that neither country shall prohibit the export or import of any such articles unless the prohibition extends equally to all other nations; and that no higher or other duties shall be imposed on imports or exports than are payable on like articles imported from or exported to any other foreign country; also, that no higher duties or charges shall be imposed on their vessels, respectively, in any of the ports of either country, than those payable in the same ports by vessels of that country. An interesting historical aspect of the document is the fact that St. Helena was expressly excluded from its provisions, because of Napoleon's incarceration there; but on his death, the treaty was extended to include trade with that island.

While the treaty extended trade and navigation privileges to United States vessels in the distant East Indies, it expressly provided that "The intercourse between the United States and his Britannic Majesty's possessions in the West Indies and on the continent of North America is not affected by any of the provisions of this article, but each party shall remain in the complete possession of its rights, with respect to such intercourse."

Previous to the Revolution the annual trade between the West Indies and the American colonies amounted to about \$18,000,000. Having severed our connection with Great Britain, this trade was then entirely lost. Although Pitt and other British statesmen urged reciprocal trade relations between the United States

and the West Indies, nevertheless in July, 1783, an order in council required that the West Indies trade must be exclusively carried in British vessels; not only were American vessels excluded from a share in the transportation of this commerce, but direct commerce between the islands and the United States was also prohibited, even though carried in British vessels. We are told thousands of negroes in the West Indies Islands perished from starvation because our supply of food-stuffs was cut off at a time when their own crops had been destroyed.

As the treaty of 1815 did not extend to the West Indies, Congress by Act dated April 18, 1818, retaliated and placed an embargo on all British vessels trading between ports of the United States and ports of the West Indies, or any other British ports which were closed to United States vessels. By Act of March 1, 1823, Congress removed this embargo as to certain British ports, by authorizing the President "upon receiving satisfactory proof that the United States vessels entering the specified British ports were not subjected to higher duties than were imposed upon British vessels, to issue a proclamation to the effect that British vessels from the aforesaid ports might enter ports of the United States on the same terms as regards tonnage and import duties as applied to vessels of the United States."

By Act of Congress of May 29, 1830, provision was made for the complete raising of the embargo against British vessels trading between the United States and the West Indies, by authorizing the President when he had received "satisfactory evidence that

the Government of Great Britain will open the ports in its colonial possessions in the West Indies, on the continent of South America, the Bahama Islands, the Caicos, and the Bermuda or Somer Islands to the vessels of the United States for an indefinite or for a limited term; that the vessels of the United States and their cargoes, on entering the colonial ports aforesaid, shall not be subject to other or higher duties of tonnage or impost, or charges of any other description, than would be imposed on British vessels or their cargoes, arriving in said colonial possessions from the United States; that the vessels of the United States may import into the said colonial possessions from the United States any article or articles which could be imported in a British vessel into the said possessions from the United States; and that the vessels of the United States may export from the British colonies aforementioned, to any country whatever, other than the dominions or possessions of Great Britain, any article or articles that can be exported therefrom in a British vessel, to any country other than the British dominions or possessions as aforesaid." The raising of the embargo under the terms of this Act was to be either by its suspension or by an entire repeal of the Act, according to whether the British ports mentioned were thrown open in commerce to United States vessels indefinitely or for a limited time only.

Previous to the above mentioned Act of May 29, 1830, negotiations had occurred having in view the removal of discriminations in our trade with the West Indies, and by an Act of Parliament dated July 5, 1825, Great Britain had opened the ports of her Brit-

ish colonies in North America to the vessels of all nations, subject however to special conditions. The United States refused to accept the conditions laid down, and in consequence, direct intercourse with the British-American colonies was practically suspended. The above Act of May 29, 1830, resulted in a proclamation by President Jackson, October 5, 1830, in which he declared ports of the United States to be open to British vessels and their cargoes though coming from the West Indies, on payment of the charges made to American vessels, coming from the same quarter. Soon thereafter (November 5, 1830), the British Government by an order in council reciprocally opened the West Indies ports to our vessels and to our commerce, on the same terms given to British vessels; excluding, however, trade between those colonies and the mother country. By an Act of Parliament in 1849, this last restriction was removed, and vessels of the United States were thereafter permitted to engage in trade between British colonies and the United Kingdom on terms as favorable as those of British vessels. At a later date (March 23, 1854) Great Britain went one step farther than the United States has ever gone, and by an Act of Parliament provided that foreign vessels could engage in her coastwise trade, on the same terms as British vessels.

Notwithstanding the reciprocal privileges intended to be accorded the vessels of the two nations by the Act of 1815 and its subsequent renewals, an episode occurred in 1847 revealing definitely unfair discrimination against American vessels in British ports. Early in the 1840's Great Britain had subsidized the Cunard

Line and inaugurated the first regular steamship service between the United States and the United Kingdom. By Act of Congress (March 3, 1845) the United States also authorized postal subventions to steamship lines. The first company to take advantage of the Act was the Ocean Steam Navigation Company, for a service between New York and Bremen, with alternate voyages to Havre, France, the vessels in all cases making Cowes, England, a port of call. The first trip on this new line, and therefore the first trip of any steamship under the American flag on regular liner service between Europe and the United States, was made by the *S. S. Washington*, in June, 1847. She sailed on June 1st and arrived at Cowes,—that is, Southampton—on the 15th. It is needless to say that Great Britain did not welcome the competition with the Cunard Line, thus inaugurated, and aggressive steps were taken to destroy it. As given in a report by the Assistant Postmaster General to the Post Office Department, dated January 15, 1848, it is shown that on June 9th, and therefore while the vessel was on her first trip, the British Post Office Department issued an order imposing the British packet postage of one shilling sterling for each letter of a half ounce, and two pence for each newspaper, brought in the United States mails by the "*Washington*." This was made chargeable as well upon those destined for France as those deliverable in the United Kingdom; and the Postmaster of Southampton was required to forward to London all the mail bags left by the "*Washington*," without being opened. The effect of this order was to subject the mail to double postage; and that ad-

dressed to France was of course subjected to great delay by its diversion to London. This attitude of the British Government amounted to paying the British Post Office Department postage on all mail matter brought by American vessels, notwithstanding no service in its transport had been rendered by British vessels. While it might have been reasonable and proper to charge the port and inland postage rates on the mails thus brought by the "Washington," the surcharge of the ocean rate, when no service had been rendered, was a gross discrimination. The matter was brought to the attention of the British Government through our Minister at London; he was informed the course taken was intended "as a discriminating one to protect the Cunard Steamship mail line; that is, to induce the employment of that line for the transportation of letters, in preference to the American mail line, by enhancing the cost of conveyance in the latter." The postage on mails sent to Great Britain by the "Washington" on her second trip was 19 per cent less than the amount by the first trip; and the postage on the third trip was 41 per cent less than by the first trip; Great Britain used the incident as a lever to negotiate a postal convention between the two countries, but insisted on terms concerning which the Assistant Postmaster General says:

"However anxious to take back to the United States the adjustment of a difficulty which had so unexpectedly arisen; however ambitious to accomplish, within the little time allotted me abroad, arrangements with the British post office, as well as with the German authorities, I could not consent to obtain this gratifica-



tion by any sacrifice whatever of our just and equal claims. Neither could I advise a concession to the British post office of any advantage in the agreement, for the purpose of getting rid of the greater disadvantages to which we were subjected by the order of the 9th of June. That would have been, to the extent of the advantage yielded, a submission to a wrong alike forbidden by a sense of right and of honor. That order is a manifest act of aggression on a rightful measure of our Government. As such, it is to be resisted. For it cannot be presumed that this hostile demonstration is to drive our government from its policy of encouraging the establishment of American ocean steamers, and employing them as means of communication with other ports of the world. And yet it is obvious that we must do so, under the effect of the British order of the 9th of June, at great pecuniary loss. Mails will not be sent by our steamers if they are to be taxed twice as much as when conveyed by the English lines. Retaliation is, therefore, unavoidable. If we levy the same contribution on the British mails which they exact from ours, we shall place the international mail service of the two countries on an equal footing, and obtain out of the mail service of the British steamers a redress equal, at least, to the exactions forced from our own."

It is not necessary to go to so remote a date to find evidence of inequality of treatment of British and American vessels in British ports. At the present time (1922) the customs officials of Australia so administer the customs laws of that dominion as to effect a distinct discrimination against American vessels. Al-

though the same *rate* of duty is ostensibly applied, whether imports arrive in American vessels or in British vessels, nevertheless a substantial discrimination results from the fact that if the import arrives from a port of the United States, the value thereof upon which the tariff is computed includes the cost of the transportation of the goods from an interior point of the United States to the American port of export; whereas if the import arrives from a British port, say Vancouver, the value does not include the cost of transit by rail to that point. The result is that an American merchant exporting to Australia from, say, Chicago, has every inducement to ship his exports by a Canadian railroad to Vancouver; from that point, as a practical fact, his exports travel in a British ship because there are no American lines from Vancouver.

Discriminations to the prejudice of American shipping occur in different forms in different countries. In one instance, it took the form of a foreign tax imposed by Peru on the West Coast Company, operating United States Shipping Board vessels along the western coast of South America. Previous to 1919 the Government of Peru imposed on the West Coast Line a license tax of fifty pounds a year for the privilege of doing business in Peruvian ports. In 1919 the Government, acting under a law assessing a tax of five per cent on the earnings of steamship companies, arbitrarily increased this license tax to one thousand pounds a year, on the pretext that the profits of the company justified the levy. The West Coast Company paid the assessment under protest, then submitted statements of earnings showing that the tax should

be much less than one thousand pounds; but the application for a rebate was denied.

Another illustration presents a case which was not only prejudicial to our shipping, but operated adversely to shippers. By an agreement between British steamers operating in the West Indies trade, deferred rebates on all shipments to Europe were repaid to shippers who would agree to send all their shipments bound to the United States in steamers belonging to British companies or lines which were parties to the agreement. Agreements of this kind between steamship lines are commonly called "Conference Agreements." In order to get rebates therefore on European shipments, the shippers were required to refuse shipments in United States vessels, although to the United States. This policy made it practically impossible for vessels of the United States to obtain certain cargoes at Trinidad. A similar situation existed at Lourenco Marques, East Africa, from which port United States vessels have sailed away empty, leaving on the docks cargo which could have been forwarded on them to America, if the agents of the conference lines had not warned shippers that they would lose their rebates and incur the ill-will of the conference steamers, if they patronized vessels of the United States.

Akin to the unfair competition applied under these conference agreements was the experience of the American agent of the Admiral Line (Pacific Steamship Company) stationed at Kobe, Japan, who reports that his company lost 29,000 tons of promised cargo because of threats made against the prospective shippers by representatives of the Nippon Yusen Kaisha,

a Japanese steamship line. It appears that after the Admiral Line had booked 31,000 tons of cargo, and had arranged to place a steamer on the berth, solicitors of the Nippon Yusen Kaisha warned shippers that if they patronized the American vessel, they would lose all future space on the Nippon Yusen Kaisha lines to Europe, Australia, and the Pacific Coast. The threat was effective and the Admiral Line received only 2,000 tons of cargo out of the 31,000 tons originally promised.

These items reflect the obstacles with which the up-building of our merchant marine is confronted; obstacles which are quite apart from the usual elements of competition, so many of which are themselves favorable to foreign competing vessels.

## CHAPTER V

### THE WHALING INDUSTRY

IN the early days of our history the adjacent waters of the North Atlantic were quite alive with whales. The colonists found the Indians frequently pursuing them in their frail canoes, nor did they have to go far out for their capture. The whales not only kept near the shores of Long Island and New England, but in many instances were literally cast ashore. This is no mere tradition; it is officially recorded in the archives of New York in a unique and interesting connection. Trinity Church, which stands at the head of Wall Street, New York City, is one of the most widely known churches in America; it was founded in the early days of the 18th century. The records tell us that the Governor of the colony granted a patent to assist in the building of the first edifice, which patent authorized the Wardens "to seize upon and secure all . . . *drift whales* and whatever else drives from the high seas and is then lost below high water mark and not having a lawful owner within bounds and limits of His Majesties Province of New York." The Wardens were also empowered "to tow ashore and then to cutt up the said whales and try into oyle and secure the whalebone" and apply the proceeds "toward the build-

ing of the church aforesaid, and to no other use whatsoever until the same be perfectly finished." The records also reveal that the whales were somewhat remiss in drifting ashore about that period, and, as a result, special contributions had to be sought with which to complete the building. We also learn that on Cape Cod in 1662 one community voted that a part of every whale cast ashore should be appropriated for the support of the ministry.

That it was no unusual thing to take notice of drift whales officially is also revealed by the history of Southampton on Long Island, New York, where men were appointed as early as 1644 especially to look for whales cast ashore.

It is needless to say that the American colonist was not passive in his relation to whales and promptly got into the industry of pursuing them out to sea. While New York was the first colony to enter the industry, it was not so prominent in it through the years that followed as were New Bedford, New London, Salem, and, of course, Nantucket. The industry was severely injured during the Revolutionary War. We are told by Mr. W. L. Marvin, in his excellent work, "The American Merchant Marine," that when the war began there were in the whole American whaling fleet between 300 and 400 vessels, having in the aggregate about 33,000 tons and manned by about five thousand men. Though exposed perhaps more than any other whaling port, the Island of Nantucket held out most stoutly, and yet when the war ended (1783) of the 150 whaling vessels which formed a part of its pre-war fleet 134 had fallen into the hands of the enemy.

The money loss to the people of the island exceeded \$1,000,000 but more significant still was the high fatality among the brave men who had been engaged in the industry, for when the War of Independence was over, in 800 Nantucket families there were 202 widows and 342 orphan children.

The commerce of the new American Republic promptly appeared in English ports with the close of the Revolution. The vessel first to have the distinction of flying the stars and stripes in the United Kingdom was a whaler. A London newspaper of the period (1783) makes special note of that fact in the following language: "The ship Bedford, Captain Mooers, belonging to the Massachusetts (as if the Bostonese were a tribe of red Indians!), arrived in the Downs the third of February, passed Gravesend the fourth, and was reported at the Custom House the sixth instant. She was not allowed regular entry until some consultation had taken place between the commissioners of the customs and the lords of council, on account of the many acts of Parliament yet in force against the rebels in America. She is loaded with 487 butts of whale oil; is American-built, manned wholly by American seamen, wears the rebel colors, and belongs to the Island of Nantucket in Massachusetts. This is the first vessel which displayed the thirteen rebellious stripes of America in any British port. The vessel lies at Horsely down a little below the Tower, and is intended immediately to return to New England."

It will be noted that British officials consulted as

to the effect on visiting vessels of the United States "of the many Acts of Parliament yet in force against the rebels in America." It was largely Great Britain's application of her stringent navigation laws which drove the young Government, after the Constitution was adopted in 1789, to the enactment of discriminating duties and tonnage taxes in favor of United States vessels.

It was a whaler also which first displayed the stars and stripes in Callao, Peru, and that vessel was named the "Washington." That this distinction came to a whaling vessel is not surprising, for they were the leaders in daring voyages around Cape Horn into all parts of the Pacific Ocean. It was not unusual for such vessels to be absent on voyages of three and four years' duration.

During the War of 1812 (with Great Britain) British cruisers committed great havoc among the whalers of the Pacific Ocean.

Happily the frigate "Essex" was sent by the United States to the Pacific and did such effective work in the protection of American whaling vessels as well as in the destruction of British commerce, that before she was finally overpowered by superior force, she had captured or destroyed practically every British whaler in the South Pacific. So destructive was the effect of her depredations on the British whaling industry that it was never revived, and the field was thereafter left substantially clear for the American whaler. Admiral Farragut, later of Civil War fame, who was a midshipman on the "Essex," suggests in his "Journal" that one reason British whalers were



captured in such numbers was that a large percentage of their crews was often found to be "Americans who had been pressed into the British Service" under the British policy of impressment—the chief cause of that war—a policy which in substance was entirely abandoned with the return of peace, notwithstanding the treaty of peace made no concession in regard to the matter. Release from this danger at the hands of British cruisers was itself an incentive to the revival and extension of the industry. It reached its zenith during the first half of the 19th century. In 1842 there were altogether about 882 vessels devoted to whaling and of these, 652 belonged to the United States. In 1846 the American fleet had been increased to 678 ships and barks, in addition to 57 brigs and schooners, aggregating 233,000 tons and valued at over \$21,000,000. Though this period presents the high water mark of the industry, it had attained such prominence even prior to the Revolutionary War as to inspire Edmund Burke's tribute to Yankee whalers of his time in his speech in the English Parliament in 1775, when he said: "While we follow them among the tumbling mountains of ice and behold them penetrating into the deepest frozen recesses of Hudson Bay and Davis Strait; while we look for them beneath the Arctic circle, we hear that they have pierced into the opposite region of polar cold, that they are at the antipodes and engaged under the frozen serpent of the South. Falkland Island, which seemed too remote and romantic an object for the grasp of national ambition, is but a stage and resting-place in the progress of their victorious industry. Nor is the equinoctial

heat more discouraging to them than the accumulated winter of both the poles. We know that while some of them draw the line and strike the harpoon on the coast of Africa, others run the longitude and pursue their gigantic game along the coast of Brazil. No sea but what is vexed by their fisheries, no climate that is not a witness to their toil. Neither the perseverance of Holland, nor the activity of France, nor the dexterous and firm sagacity of English enterprise ever carried this most perilous mode of hardy industry to the extent to which it has been pushed by this recent people—a people who are still, as it were, in the gristle and not yet hardened into the bone of manhood.”

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The ordinary perils of shipwreck were to the whaler but one aspect of his danger, for his vessel was always exposed to the greater peril of the savage, deadly attacks of the monster of the sea which destroyed more than one brave ship by ramming and sinking it. That the small boat which did the immediate work of capture constantly faced a similar fate is illustrated in the experience of Captain Huntting, told by Captain Davis in his “Nimrod of the Sea”: “When the monster was struck he did not attempt to escape, but turned at once on the boat with his jaw, cut her in two, and continued thrashing the wreck until it was completely broken up. One of the loose boats picked up the swimmers and took them to the ship; the other two boats went on and each planted two irons in the irate animal. This aroused him, and he turned his full fury on them, crushing in their bottoms with his jaw and not leaving them while a promising mouthful

held together. Twelve demoralized men were in the water, anxious observers of his majestic anger. Two men who could not swim had, in their terror, climbed on his back and seated themselves astride forward of the hump as perhaps the safest place from that terrible ivory-mouthed war club which he had brandished with such awful effect. At one time another man was clinging to the hump with his hands."

As whaling had led the "Columbia" up the Pacific Coast and to the discovery of the Columbia River, so seal fisheries brought our skippers in touch with undiscovered shores. The following experience is given by Captain E. Fanning in a letter to the Secretary of the Navy (1828): "The two discovery ships sent out by the late Emperor Alexander, of Russia, being between the South Shetlands and Palmer Land, were becalmed in a thick fog; when the fog cleared away they were surprised to find one of the Stonington South Sea Company's barques, a little vessel of about fifty tons, between the two discovery ships, which immediately ran up the United States flag, when the frigate and sloop of war set theirs, and the Russian Commodore despatched a boat and officer, with an invitation to Captain Palmer, of the American vessel, to come on board, which he readily accepted. When he arrived on the commodore's deck, he was asked what islands those were in sight, and if he had any knowledge of them. 'Yes, sir,' replied Captain Palmer, 'those are the Shetland Islands. I am well acquainted with them, and a pilot here. I belong, sir, to a fleet of five sail out of Stonington, under the command of Capt. B. Pendleton, whose ship is now at anchor in a good

harbor in that island; and if you wish for water and refreshments, I will pilot you in, and my commodore will be much pleased to render you any assistance.' 'I kindly thank you,' said the Russian, 'but previous to being enveloped in the fog we had sight of those islands, and concluded we had made a new discovery; and behold when the fog lifts, to our utter surprise, a beautiful little American vessel, to all appearance in as fine order as if she had but yesterday left her port in the United States, is discovered alongside of my ships, the master of which readily offers to pilot my vessels into port, where his commodore will tender me every aid for refreshment! We must surrender the palm of enterprise to you Americans,' said the Russian commodore. 'Sir, you flatter me,' replied the American captain; 'but there is an immense extent of land to the south, and when the fog is entirely cleared away, you will have from your masthead a fine sight of its mountains.' 'Indeed,' observed the commodore, 'you Americans are a people that will be before us; and here is, now, in your information, and in what is now before my eyes, an example and pattern for the oldest nation in Europe. Where I expected to make new discoveries I find the American flag, a fleet and a pilot!' The commodore then arose from his seat, and placing his hand upon Palmer's shoulder, continued: 'I name the land, which you have discovered, Palmer Land, in your honor. But what will my august master say, and what will he think of my two years' cruising in search of land that has been discovered by a boy in a sloop but little larger than the launch of my frigate?' "

It is needless to say that the reward of an industry attended with such great danger was large, or so many men would not have engaged in it. The experience of the whaler "South America," the equipment of which cost \$40,000 but which brought to her owner a profit of twice her value in two years, was not exceptional. This experience was not universal, however, and cases are not unknown where the whaler would return to her home port, after an absence of a year or more, with practically no cargo whatever.

About 1858 the industry entered its decline. It is now quite negligible as an activity of the merchant marine.

## CHAPTER VI

### AMERICAN PACKETS AND CLIPPERS

THE earlier American maritime ventures were carried on chiefly with vessels owned and operated by enterprising merchants. Although a long interval occurred when cargo vessels were used for the most part in the transportation of ocean freights generally, some of our great industrial corporations have returned to the earlier system, and the Standard Oil Company and the United States Steel Company now have great fleets carrying their own products, though sometimes holding themselves out to the public as common carriers.

The business of shipping gradually passed from the speculative voyages of merchant owners of vessels, to transportation companies, as common carriers. This resulted in the famous sailing packet lines, first established between New York and Liverpool. Regularity of service was itself an incentive in the development of trade and the transportation of passengers, and the volume of both freight and passenger traffic increased, quite out of proportion to the increase of population.

In 1836 the amount of documented American tonnage in foreign commerce was 753,094. On the Liverpool lines alone there were about twenty ships with

an aggregate tonnage of 14,000. The spirit of the day was such that the introduction of a new service was heartily welcomed, for it was recognized a new line, even on an established route, would not be a detriment to the old service. The *Daily Advertiser* of that period, in referring to one of Mr. Collins' new lines, states, "Nor will the establishment of another line injure in the slightest degree the other lines—the more facilities there are afforded, the more goods and passengers will be transported."

The ascendancy of American shipping in the first half of the 19th century was very marked. The tide turned in favor of British shipping with the introduction of steam, and particularly with the introduction of iron and steel hulls, for the superior industrial plants of England gave that country a great advantage over the cruder establishments in the United States. The British historian, Grantham, says: "Previous to the development of steamships, the preponderance of shipping was falling rapidly into the hands of American shipowners. Thirty years ago one of the great objects of interest at the docks in Liverpool was the American sailing packet, and it was considered that a stranger had missed one of the lions of the port who had not visited these celebrated ships. The same prestige was felt everywhere; on the Atlantic and Pacific oceans, in India, China, and in all the best trades American ships were most in demand." And Mr. Marvin tells us: "Something of the safety, regularity and general efficiency of these old packets can be gathered from the tribute of the *New York Herald* to a Black Ball liner, as the fine old veteran

was about to leave the 'roaring forties' for the humdrum service of the coasting trade. This ship had passed twenty-nine years in battling with the Atlantic tempests between New York and Liverpool. She had made 116 round passages without losing a seaman, a sail or a spar. She had brought 30,000 passengers to this country from Europe, and had witnessed 1,500 births and 200 marriages. In the golden days of the packet service there were sailing out of New York, besides the Black Ball line, the Swallowtail line, so called because of the shape of its private signal, of Grinnell, Minturn & Co., the Dramatic line of E. K. Collins (composed of the Roscius, Sheridan, Siddons, Garrick, etc.), the Red Star line, the Williams and Guion line, and half a dozen others. There were two or three lines to London, and two or three to Havre. Philadelphia had a Liverpool line; so had Boston. But New York controlled most of the packet service, just as it now holds the greater part of the trans-Atlantic steam service. Most of the high-class packets were built at famous old yards along the East River; a few came from New England. Careful laws governed the passenger trade of the packet fleets. Each ship was allowed to take so many in the cabin and so many in the steerage, and no more. The packets carried the higher-cost freight, and their charges were above those of ordinary merchantmen. But they earned this money by the swiftness and regularity of their voyages. . . . Against these magnificent square-riggers, sailed with such vigor and exactness, Europe could not compete. So long as the trans-Atlantic service was a question of sheer seamanship, America held the undisputed mas-



tery. This Western Ocean, with its vast range of heaving waters, its fierce gales and its bitter cold, has always been the most important field of maritime adventure. Supremacy there has ever been the coveted prize of seafaring nations. Year after year, in the era of wood and canvas, the advantages of the United States were overwhelming. Our superior ships actually cost less to build than did the ships of Britain, and scarcely more than the cheap soft wood craft of Northern Europe."

The far-famed clippers of the American merchant marine appeared on the scene in the middle of the 19th century. The development of steam vessels was a great incentive to the development of a higher speed in sailing vessels, thus evidencing once more the influence of competition on the improvement of all the facilities of industrial life. The discovery of gold in California was also a great incentive for a greater sailing speed. The trip by water was then made around Cape Horn, and as the need for supplies in that sparsely settled region was very great, the ship of high speed commanded values in freight space wholly unrelated to the cost of the vessel or its cost of operation. Some clippers of the period made over 300 miles in one day's run. The "Comet" made the trip from San Francisco to Sandy Hook in 83 days, averaging 210 miles a day. Concerning them, Mr. Marvin writes: "These clipper ships were wonderfully beautiful. Not one of them now remains afloat in ocean service. A few may be tumbling up and down the Pacific Coast under stump topgallant masts, freighting coal and lumber, and unrecognizable as the splendid racers of

half a century ago. But the real clipper ship of those years of glory has utterly departed. The so-called clipper of today is a full-bodied, bluff-bowed craft, as unlike its predecessor as a bulldog is unlike a greyhound. When speed is needed now, it is sought in a steamship. Carrying capacity, not swiftness, is the prime consideration in the modern sailing ship of wood or steel. The present model is called a 'medium clipper,' and it is some satisfaction to know that in the long-voyage traffic around Cape Horn or the Cape of Good Hope, the Yankee vessels, though no longer the record-breakers of the glorious decade from 1850 to 1860, usually manage to keep ahead of their European competitors. Such ships as the 'Surprise,' the 'Sierra Nevada,' the 'Westward Ho,' the 'Phantom,' the 'Sea Serpent,' the 'Sweepstakes,' and the 'Young America,' were at once the admiration and the despair of Europe. They were built, most of them, for the trade to California, in which only American vessels could sail from an American port. A voyage from Boston or New York to San Francisco was technically a coastwise voyage, though it involved fifteen thousand miles of deep-water sailing. As such, our navigation laws rigidly reserved it to ships launched in the United States and owned and officered by American citizens. The building of the California clippers, therefore, was a protected industry, but the vessels constructed primarily for this business left it from time to time for voyages to Europe or to Asia if favorable rates offered. Thus the California gold discovery came in most opportunely to give American wooden shipbuilding a longer lease of life against the subsidized steam

lines and the multiplying iron shipyards of Great Britain."

Mr. Spears joins in the tribute to the service the clippers gave. He says: "The most interesting period in the history of the American merchant marine is the clippership era. The story has been told over and again, but the interest never flags. And yet while those ships were sweeping the seas and lying in port where their captains walked the piers in suits of lustrous China silks; and while the newspapers of Europe as well as America were printing in leaded lines the details of their wonderful passages, the seafaring people of the United States were living in a fool's paradise. The work that was to drive the American flag from the principal trade routes of the seas had been begun before the keel of the clipper 'Rainbow' was stretched. Our seafaring people saw it, too, and even helped it on, but with but one notable exception, so far as the record shows, they utterly failed to comprehend its significance. The character and effect of that work shall be described in another chapter. It remains to consider here one other interesting fact about the clippers. It is demonstrable that the shapes of the much-lauded clipper hulls had only a trifling, if any, influence upon the speed attained. Indeed the lines upon which the builders of the most famous of them all relied for speed were inferior, as modern designers know, to those of some ordinary ships wholly unknown to the record. As a first bit of evidence in proof of this assertion here is the story of the 'Natchez' in which Captain 'Bob' Waterman first won fame.

In 1843 Waterman sailed her around the world and made the passage from Canton to New York in 94 days. The whole voyage required only 9 months and 26 days. In 1844 he drove her from New York to Valparaiso in 71 days, thence to Callao in 8, and thence to Hongkong in 54. She then loaded teas at Canton and he drove her from that port to New York, 13,955 miles, in 78 days. This last passage was but one day longer than Waterman's record passage of 77 days made in the 'Sea Witch,' 'the swiftest clipper of her day.' But the 'Natchez' was not a clipper, although she has been described as one. She was built with full lines and a flat bottom in order that she might carry huge loads of cotton from New Orleans, across the shoals at the mouths of the Mississippi, and around to New York; and while engaged in that trade, she had earned the reputation of being one of the slowest ships on the American coast!"

That author however does not concede that the achievement of the clippers was due solely to their lines and hull, and adds: "If it was not to the model of the ships, to what, then, were the splendid records due? The answer is of the utmost importance in any study of the American merchant marine. The records were due to the fact that our seamen were the most ambitious and the most efficient sailors of the sail that the world has ever seen. . . . Studding sails were spread to the zephyrs when the ship crossed the equator, and they were yet seen in place while she sailed with trade-winds so strong that ships from Europe close-hauled were reefed down to the cap. Indeed, all sail was often carried when ordinary ships

were seen reefed down on the same course. As Clark Russell notes in one of his novels, the skipper of the ship from Europe, as he paced the deck with anxious eyes upon his shortened canvas, fearing that it would be blown from the bolt ropes, very often saw a tiny white speck upon the horizon, watched it grow into a splendid ship with 'every rag set,' saw her fling the Stars and Stripes to the gale, as she went roaring by, and then with feelings that cannot be described, gazed after her until she disappeared in the mists far down the lee."

Lindsay in his work "Merchant Shipping and Ancient Commerce," speaking of the personnel of the American clipper and packet ship service says: "During the first half of this century the masters of American vessels were, as a rule, greatly superior to those who held similar positions in English ships, arising in some measure from the limited education of the latter, which was not sufficient to qualify them for the higher grades of the merchant service. American shipowners required of their masters not merely a knowledge of navigation and seamanship, but of commercial pursuits, the nature of exchanges, the art of correspondence, and a sufficient knowledge of business to qualify them to represent the interests of their employers to advantage with merchants abroad. On all such matters the commanders of English ships, with the exception of the East India Company's, were at this period greatly inferior to the commanders of the United States vessels. . . . Captains of the larger class of packets or merchant ships, therefore, could not only afford to live as gentlemen, but if men of good character and fair man-

ners (which they generally were) they were received into the best mercantile circles on shore. They were also allowed, besides their fixed salary, a percentage (usually  $2\frac{1}{2}$  per cent) on all freights, and by various other privileges (particularly in relation to passengers) they were thus enabled to save money and to become, in time, merchants and shipowners on their own account,—a custom which prevailed to a large extent in the New England States.”

The same author quotes the report of a British consul at Philadelphia which deals with the attention given by Americans to the training of their youth for service in the merchant marine. That report is as follows: “A lad intended for the higher grades of the merchant service in this country, after having been at school some years and acquired (in addition to the ordinary branches of school learning) a competent knowledge of mathematics, navigation, ships’ husbandry, and perhaps French, is generally apprenticed to some respectable merchant in whose counting-house he remains two or three years, or at least until he becomes familiar with exchanges and such other commercial matters as may best qualify him to represent his principal in foreign countries. He is then sent to sea, generally in the capacity of second mate, from which he gradually rises to that of captain. . . . Nor were the interests of the common seamen overlooked. Boys of all classes, when fit, had the privilege of entering the higher free schools, in which they could be educated for almost every profession. An ignorant American native seaman was, therefore, scarcely to be found; they all, with few exceptions, knew how to read,

write and cipher. Although, in all nations, a mariner is considered a citizen of the world, whose home is on the sea, and, as such, can enforce compensation for his labor in the Courts of any country, his contract being recognized by general jurisprudence, the cases of disputes between native-born Americans and their captains have ever been less frequent both in this country and abroad than between British masters and seamen, owing, in a great measure, to the superior education and more rigorous discipline on board American vessels."

The record run of the fast clippers was made in 1860 by Captain Samuel Samuels in the "Dreadnaught" with which he covered 2,760 miles in 9 days and 17 hours. This record trip, however, is perhaps partly explained by the fact, as stated by the captain, that "She was on the rim of a cyclone most of the time"—and the cyclone was evidently blowing in the right direction! The feat of the "Dreadnaught" occurred after the trans-Atlantic steamships of the Cunard line, the Ocean Steam Navigation Company and the Collins line had been operating for some years. Thus it was the competition of the new power, which drove the old seamen to their best under sail.

According to a report made to the House of Commons about 1835, the progress of American shipping was giving England great concern. The following is an extract from the Committee's report: "American Shipping—That the committee cannot conclude its labor without calling attention to the fact that the ships of the United States of America, frequenting the ports of England, are stated by several witnesses to be su-

perior to those of a similar size and class, amongst the ships of Great Britain, the commanders and officers being generally considered to be more competent as seamen and navigators, and more uniformly persons of education, than the commanders and officers of British ships of a similar size and class, trading from England to America; while the seamen of the United States are considered to be more carefully selected and more efficient; that American ships sailing from Liverpool to New York have preference over English vessels sailing to the same port, both as to freight and to rate of insurance; and higher wages being given, their whole equipment is maintained in a higher state of perfection, so that fewer losses occur; and as the American shipping have increased of late years in the proportion of  $14\frac{3}{4}$  per cent per annum while the British shipping have increased within the same period  $1\frac{1}{2}$  per cent per annum."



## CHAPTER VII

### PHYSICAL ASPECTS OF THE VESSEL

WITH the exception of a primitive period, and in the case of a very limited class of craft made of the bark of trees and the skins of animals, wood was the only material used and the only material possible of use for larger vessels before the development of iron and steel plates. England's ascendancy in the marine world was due to her possession of large forests of oak which she used for shipbuilding purposes, but the time came when these forests were depleted. Happily for the mother country, her American colonies abounded in large forests of live oak and white oak, although the transport of wood across the Atlantic added greatly to the cost of ship construction at home. The foresight of a literary dreamer of England, who prevailed on his countrymen to reforest their hills with oak, resulted in a splendid harvest, for by the time the American Colonies were lost, the trees had grown to usable size, for shipbuilding. Wood for vessel construction was not abandoned with the building of steamships. For many years the ocean greyhounds were built exclusively of this material, although it has long since been replaced by steel in the construction of our larger vessels.

About 1840 Great Britain applied the plan of build-

ing vessels of iron, and her success restored the prestige of English shipyards. For many years previously, the American yards had the advantage because of the availability of ample material of the best kind, and because of the efficiency of American shipwrights. It is interesting to know that among the objections seriously made to the use of iron and steel in ship construction was the childlike suggestion that a ship made of iron could not be expected to float. The criticism of course revealed total ignorance of elemental principles, and of the fact that the law of floating bodies requires only displacement of an amount of water equal in weight to that of the bulk floating on its surface. Other objections made were entitled to more serious consideration. One of these was that the compass would be made more or less unreliable by the magnetic influence of the vessel on its needle. This is true, but devices were later invented to counteract such influences.

No line of division in point of time exists in the transition from one form of elemental propulsive power to another—poles for use in shallow water, and oars and sails. The transition from the pole to the oar belongs to a prehistoric age. The development of the oar as a paddle for the small boat to the great oars on the galleys of ancient and middle ages, followed in natural course. The sail also belongs to antiquity, and its development paralleled the development of the galleys as they expanded to the biremes and triremes of the Mediterranean and other ancient navies. Although the sail survives, its use is rapidly dwindling in competition with more dependable forms

of power. The galleys passed long ago into history. They were last used in the Armada, the great fleet organized by Spain in 1588 for the invasion of England.

America has had an important part in the development of sailing vessels. The success of Americans was due in part to their deserting old standards, both as to lines of hull and the relative breadth of beam. The result was the trim clipper ships, famous for their speed and efficiency. In like manner they did not hesitate to replace the old square rigged packet ships with a more lightly equipped and economically operated schooner.

Physical conditions have, of course, had their influence on the development of the American and English merchant vessels, respectively. As the harbors of the United Kingdom had great depth, their vessels were deep and narrow. The New England harbors, however, were comparatively shallow; hence our vessels, having to be of comparatively light draught, were made correspondingly wide, in order to have ample cargo space; on the other hand, being wider, it was possible for them to carry more proportional sail and thus attain greater speed. Another item having an interesting influence on the development of American seamen was the fact that, generally speaking, the voyages of the colonists were shorter than those of British ships; for shorter voyages smaller vessels were possible; the vessels being smaller, they were greater in number and thus required, for a given total tonnage in the fleet, a greater number of masters and officers

with the resulting advantage of producing a great number of trained seamen of an excellent type.

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The mechanism which propels the boat is to be distinguished, of course, from the power which moves that mechanism. Whether the vessel has a shaft athwart with side wheels at both ends, or whether its shaft runs to the stern and turns a propeller at its end, the problem of the best power for turning that shaft is substantially the same. For many years the sidewheel was the favorite, if not the only propelling power applied. The early application of the screw propeller to British vessels assisted in bringing about a re-ascendancy of the British Merchant Marine when steam power and iron vessels became practicable. However, when the Americans finally adopted the screw propeller as more economical and efficient, it remained for them to lead the way, in the early '90's, by introducing twin propellers, thus bringing to the vessel not only added speed through the double driving power, but also furnishing it with an emergency steering power, resulting from the location of the propellers on the port and starboard sides of the stern, respectively. On some of the ocean greyhounds three propellers are in use, while on a very limited number there are four propellers.

The superiority prior to the Civil War of the products of English shipyards, in iron vessels, and the wisdom of the British in adopting the screw propeller, in preference to the side-wheels, are both conceded by Mr. Charles H. Cramp, who is a prominent American

shipbuilder, in an address before the Society of Naval Architects and Marine Engineers in November, 1909. In relation to screw propellers Mr. Cramp said: "The supremacy of British propulsion practically began with the advent of the fine screw steamship 'Great Britain' in 1844, but New York interests would not consider any other than the paddle-wheel, with its walking-beam engine; and as they knew nothing of any other type, they loudly and persistently proclaimed its superiority over all other types, and carried with them the shipowners, shipbuilders, shipping men, mariners, and all others in general, and the screw propeller was sneered at by them."

In his reference to the progress in building iron ships, Mr. Cramp said: "A short time after iron construction was introduced abroad, certain engine builders here commenced iron construction. The first one in America was built in Kensington at the boiler works of Jesse Starr, several squares from the water, and was hauled down there by a large number of horses and then launched. . . . The first iron steamers here were fearful specimens of naval architecture; the workmen were the boiler-makers of the works, and the vessels were looked on by these engine-builders as merely exaggerated boilers. At first they employed commonplace shipwrights to do certain woodwork that the vessel needed. The British soon began to build the entire ship complete by first-class shipbuilders, and the finest specimens of warships and merchant ships were turned out by them. In this country iron ships were built with their engines by the boilermakers and machinists with the most indifferent results."

Had it not been for the Civil War it is quite possible that American ingenuity and zeal would have matched the tremendous advantages which the British possessed in the production of iron ships, but the war laid the whole industry prostrate, and after its close (1865) American capital found ample room for investment in the development of trans-continental railroads and other commercial enterprises in the great western sections of our country.

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Another item which contributed to England's ascendancy in the early days of the 19th century was her superior capacity for building marine engines. The reciprocating engine is the common type, having an up and down movement, the vibrations of which are well known to ocean travelers. In its earliest form it had but one cylinder, and when the steam passed from that cylinder its work was done. Later, the plan was devised of having steam of higher pressure pass into the first cylinder so that it could still have life and power when it was discharged and thus do further effective work, in a second cylinder. To understand this process it must be remembered that the power arising from steam is in its expansion, as it cools. Until this expansive power has been lost, it can be used in successive cylinders. In the earlier days the limitation of the marine engine to one cylinder arose in part from the fact that steam boilers were not then built with sufficient strength to stand high pressure steam, and a great advance was made when stronger boilers were produced and safety valves were developed. Three

and four cylinders are now rather the custom than the exception with marine engines on ocean-going vessels.

While the reciprocating engine is still the most extensively used type, in recent years important competitors have been coming to the front. The turbine is one of these. It is chiefly valuable for vessels of high speed, though its use is practicable with vessels of low speed by appropriate gearing to the shaft. Another method of application of the power of the turbine is by its generation of electric power, which in turn is employed to revolve the shaft. Another competitor of the reciprocating engine, and also of the turbine, is the internal combustion marine engine; this has the advantage of eliminating steam boilers. The lay reader will understand the principle of the internal combustion engine by the mere statement that every automobile engine belongs to this type; the power is not only applied but is also generated in the cylinder of the engine itself. As the turbine has its highest value in propelling vessels of high speed so the Diesel or internal combustion engine has its greatest value in vessels of low speed. The chief obstacle at present to the use of the Diesel is its very high cost; the capital investment exceeds three or four times the cost of a reciprocating engine, including its boilers. Notwithstanding this higher cost, the saving in cargo space, in fuel consumed, in engine room force and in other respects, amply justifies the larger investment.

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The fuel on an ocean-going vessel is also of interest. For many decades and until recently, coal has been

practically the only fuel used; in the opinion of some shipping men it is still the best form of fuel for short voyages. In recent years, however, the use of oil has taken its place to a great extent. Oil not only relieves bunkering space for cargo purposes, but makes possible the employment of a better type of men as stokers; it also develops a higher and more uniform steam power.

The development in recent years of the use of oil as fuel, and the still more important development of new propulsive machinery, especially the internal combustion marine engine, emphasizes the wisdom of large investments in the re-equipment of vessels already built. The substitution of oil for coal as fuel was a very substantial step in economy of operation, not only because of the time and labor saved in port while filling bunkers, but also in the saving on stokers while traveling, and in the release of a large part of the cargo space coal had required; to these also can be added the higher steaming qualities of oil as fuel. Oil burning vessels therefore are at a decided advantage in competitive trade.

The internal combustion engine represents a great stride toward ideal economy of operation. As oil is its basic propulsive power, no time need be spent in filling bunkers while in port. This engine does not require steam; hence the wages and subsistence of stokers are saved. Furthermore, the boilers and smokestacks are eliminated, and the very considerable space occupied by these units is released for cargo purposes. Vessels thus equipped have a tremendous advantage over vessels of the old type. The initial cost of an internal



combustion plant, however, is approximately three times the cost of the old type, but its economy of operation and its release of cargo space for earning purposes, amply justify the larger initial investment; therefore larger capital assistance is required by the builder. It is obvious there may be and, in fact, are many hulls already in existence from which the old machinery can be taken and in which these modern systems can be substituted.

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In addition to such elemental matters as material for construction, propulsive power, type of marine engine, and kind of vessel used, there is also the broad and general item of types and kinds of vessels which have been evolved, to meet the needs of commerce. Apart from the general classification of freight or cargo vessels, or combined freight and passenger vessels, or passenger vessels, there are other special types which have been developed to meet the needs of modern commerce. On the Great Lakes special vessels for carrying iron ore and other bulk cargoes make the most rapid turn-arounds known in the history of navigation. Under the system there prevailing, cars of freight are handled as units and are emptied bodily into the vessel's hold. The tanker is likewise an important development, intended, as its name indicates, for the exclusive transportation of liquid cargo, and particularly oil, though some tankers are used for the transportation of molasses. The transportation of perishable cargoes has developed the refrigerator ship to such an extent that beef and food products generally

are now successfully shipped half way around the world. Long voyages of perishable cargoes, however, were known a century or more before the development of the refrigerator ship, for the history of the American Merchant Marine discloses instances where enterprising New England skippers, in their eagerness to have cargo on the outward voyage, successfully transported ice from the New England Coast across the equator to India.

## CHAPTER VIII

### STEAM NAVIGATION

THE development of steam power in America in its relation to shipping is an interesting chapter in the story of our merchant marine. James Rumsey, a Virginia laborer, installed one of the early types of single acting reciprocating engines in a small boat and arranged a propulsive mechanism consisting of a pump which drew the water in at the bow and forced it out at the stern. He also tried the principle of the screw propeller, but was unable to develop it as he had no capital. The development of the screw propeller in steam navigation is attributed to Erickson, the famous Swedish engineer.

In 1790 John Fitch also devised a primitive steamboat and obtained an exclusive license to navigate the waters of New Jersey with steamboats. He also sought to apply the principle of the screw propeller but abandoned it in favor of paddle wheels. He built a boat about 60 feet long which made regular trips between Philadelphia and Trenton. Another boat built by him, intended for the navigation of the Mississippi River, was wrecked. He was not successful in his ventures, and becoming despondent, he committed suicide; he left this message: "The day will come when some more powerful man will get fame and fortune

from my invention, but nobody will believe that poor John Fitch can do anything worthy of attention."

Oliver Evans was another pioneer in this field during the same period of time. He had used steam power in various ways and finally applied it to operating a vessel on the Schuylkill, accomplishing the double purpose of applying the engine to navigation and also to the work of dredging.

Then came Robert Fulton. His first aspiration was to be an artist, and for some time he studied under Benjamin West in London. He then turned to mechanics and by perseverance produced the first successful steamboat in America. At first he tried to interest France in his invention; the Napoleonic Wars were then raging and he argued that through steam power they "could deliver France and the whole world from British oppression." The French were not responsive, however, and he came to America, having arranged with Livingston and others to furnish capital for the development of his plan for navigating the Hudson River with steam power. In 1806 he contracted for the building of the "Clermont" at a shipyard in New York. It was 140 feet long, 13 feet wide and 7 feet deep. Its engines were furnished by Watt, and were built in England.

Mr. Spear's book gives the following account of the initial trip of this interesting vessel: "At noon on Monday, August 17, 1807, she was lying near the old State prison which stood on land now bounded by Washington, West Tenth, West and Charles Streets, and thousands of people gathered to gaze at the remarkable vessel because it had been announced that

she was to make a trial trip some time during the day. They observed that Brown, the builder, was working at some sails stretched to a mast standing at each end of the hull, although the sails were not set. A man named Maxwell (he had been brought from the shop of the London makers) was tinkering around the boiler—stopping leaks with melted lead, very likely, as he did, at any rate, later. Another man, Van Lea, was adjusting what is called a harpoon gun in the records. Harpoon guns, as the American whalers know them, were not yet invented, but swivels had previously been used for throwing harpoons, and this was, perhaps, such a gun. What it was to be used for is not recorded. The spectators were naturally cynical, and the humorists of the class that in modern days write the jokes for newspapers, shouted to Fulton: ‘God help you, Bobby!’ ‘Bring me back a chip of the north pole!’ ‘A fool and his money are soon parted!’ The small boys whistled, and also yowled like cats. Fulton’s correspondence shows that his sensitive soul was cut to the quick. At 1 o’clock, as the start was described by the *Evening Post*, everything seemed ready, and Fulton told Captain Moses Rogers to cast off the lines. The order was given to the engineer, Stevens Rogers, a relative of the captain, to start the machinery. A long blast was blown on a big tin horn as a warning to near-by boats, and then there was a ‘strange creaking, whirring, churning sound, a hiss of the escaping steam; the awkward-looking wheels, towering full seven feet above the deck on either side, began to turn, and we were really started on the first steamboat voyage on the Hudson.’ The next moment, however,

the spectators saw the machine come to a sudden stop, and supposing it had failed, they gave a derisive shout. The captain of a passing river-sailing packet sheered his boat close in to the pier line, and 'made a sarcastic offer' to 'throw us a line and tow us to Albany.' Perhaps the jeering at this time did not hurt Fulton so much as that previously mentioned, for he had ordered the engine stopped in order to readjust the boards or floats on the paddle-wheels. He had noted that they dipped too far into the water. An hour or more passed while the crew did this work. When it was done and the throttle was again opened, there was less strain on the machinery, and the 'Clermont' moved smoothly away from the landing. The jeers of the ignorant, who had neither sense nor feeling enough to suppress their contemptuous ridicule and rude jokes, were silenced for a moment by a vulgar astonishment which deprived them of the power of utterance till the triumph of genius extorted from the incredulous multitude which crowded the shores shouts and acclamations of congratulations and applause.' Heading across to the west side of the river to escape the main current of the tide, the 'Clermont' passed the sloop whose captain had jeered her (the passengers on the 'Clermont' yelled ecstatically at him when they saw his look of wonder), and then steamed along under the shadows of the Palisades. Night came on as she entered the Tappan Zee, and because it was a dark night the crews of a number of river-sloops saw a vision that they remembered vividly the remainder of their lives. For while they gazed down the river, knowing nothing of an experiment in steam naviga-

tion, they saw far away through the darkness the flame and sparks that poured from the smokestack of the 'Clermont'—a cloud of fire moving along between heaven and earth like that which had guided the Children of Israel in the desert. Then, as it drew near, a hoarse growling was heard and a frightful form was seen coming up the river directly against the tide. In abject terror many crews jumped into small boats and fled ashore. Others sought shelter in the holds of their boats and drew the hatches tight, while others still fell upon their knees 'and besought Providence to protect them from the horrible monster.'

"Twice on the way up the river the 'Clermont' stopped for fuel, . . . Then, just twenty-four hours after leaving New York, she cast anchor before the home of Livingston. The distance she had covered was 110 miles. She remained here until the next day, and it is noted in the histories that during the evening Livingston and a party of friends boarded the 'Clermont,' where, in a congratulatory speech, he announced the engagement of his niece, Miss Harriet Livingston, to Robert Fulton. Leaving the next morning at 9 o'clock, the 'Clermont' reached Albany at five in the afternoon. In her run to that city the 'Clermont' had averaged just under five miles an hour, regardless of wind and tide." Soon thereafter the "Clermont" commenced making regular trips between New York and Albany. The vessels now operated on that route are perhaps the finest and largest river vessels in existence. An interesting aspect of the ownership and control of the "Hudson River Day Line" should be mentioned. The company is chiefly owned by members of one fam-

ily, who are conscientious, religious people. Notwithstanding the very large profits available during the summer season from river excursions on Sundays, the owners did not, until two years ago, permit these boats to be run on the Sabbath Day. From that time (1920) they yielded to public demand in this respect, but set aside one section of the boat for religious services, thus making it possible for people to have an outing and at the same time attend public worship.

One of Fulton's financial backers, John Stevens, whose name is associated with the great institute for technical education still rendering such excellent service, invented the tubular boiler which so greatly facilitated the generation of steam. As Fulton had obtained the exclusive right to navigate the Hudson River, Stevens transferred (1808) his activities in steam navigation to the Delaware River. Roosevelt, another of Fulton's financial backers, also separated from the original group (1811) and built a vessel at Pittsburgh which he operated on the Mississippi River.

In 1812 four steamboats were built in the United States, aggregating 457 tons; the following year seven additional steamboats were built, aggregating 1,430 tons. In 1819 American builders produced twenty-eight steamships.

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The development of steam vessels for the navigation of our rivers and coast waters was comparatively rapid. In 1819 more venturesome spirits assumed to equip a vessel named the "Savannah" to cross the Atlantic. She first made a trip from New York to



Savannah, and on May 24th she left that city for Liverpool. As she approached the Irish Coast under steam a revenue cutter, supposing she was on fire, went to her rescue. On this trip she used her engines for a small part of the time only, depending chiefly on sail. Later she made a trip to St. Petersburg from Liverpool and then returned to England, and then to America.

When the steam trans-Atlantic service was first proposed it met with ridicule and prediction of disaster. Dr. Junius Smith, an American, made an early effort to interest the British in the venture, having been impressed with the success of their coastwise traffic, under steam power. He was a director, at the time, of the London and Edinburgh Steam Packet Company, and urged its owners to take an interest in the larger plan, but they refused. The comic papers of the day lampooned him as the "Yankee" innovator; and Dr. Lardner, a scientist of the period (1836), contended that a continuous voyage under steam from New York to Liverpool was "perfectly chimerical, and they might as well talk of making the direct voyage from New York or Liverpool to the moon." However, the practical British eventually followed Smith, instead of the scientist; and later sufficient subscriptions were made for the building of a vessel for the New York service. While this vessel was being completed, the "Sirius," measuring about 700 tons and having 320 horse-power, was chartered by Smith's company. She made her first voyage in 1838, and was the first vessel to arrive in America from Europe under steam power. On the day of her arrival, the second vessel to make

the trip also arrived. The Great Western Railroad of England had become interested in the trans-ocean route and had built a vessel named the "Great Western." Her length was 212 feet, her breadth 35 feet, and her depth 23 feet. She registered about 1,340 tons. She left Bristol, England, about three days after the "Sirius," carrying 140 passengers.

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Then came the period of subsidized trans-Atlantic lines. The originator of the now famous Cunard line was a merchant of Nova Scotia. Having observed the success of the "Great Western," he decided on the building of four vessels to engage in the service. Colleagues of his in England influenced him to build larger vessels, their expert opinion being that they would be more profitable. The British Government also decided on transporting its mails by steam vessels rather than by packet ships. As a result, the Government subsidized the Cunard line to the extent of £3,295 per voyage. This was subsequently increased to the flat sum of £81,000 a year, in return for which a fortnightly service was to be maintained between Liverpool and Boston by way of Halifax and with auxiliary service from Halifax to Quebec. The British were gracious enough to have the first sailing of this service on July 4, 1840. Not long afterwards the British Government also arranged for a subsidy of £240,000 a year with the Royal Mail Steam Packet Company for the maintenance of service between the United Kingdom and the West Indies, including Cuba, Mexico and southern ports of the United States. This contract was made

in 1841. The vessels under these subsidized contracts were to be built with special reference to their usefulness in time of war and capable of carrying guns of the largest caliber then extant. This further illustrates that the interest of a government in the development of a merchant marine has in view, almost invariably, the value of vessels of commerce to the nation, when at war.

The policy of Great Britain and her merchants in subsidizing an ocean transit line was a matter of concern to the United States, especially as naval officers were carried on these ships and were thus learning to navigate American waters. As a result the Act of March 3, 1845, was passed, and under it two lines were developed, the history of which will be more particularly referred to hereafter. Mr. Collins organized one of the lines and promised the vessels would cross the Atlantic in less than ten days; at the sacrifice of the physical safety of his ships, he kept his word. One of his ships, the "Atlantic," made the trip from New York to Liverpool in 9 days and 20 hours, and another, the "Baltic," crossed from Liverpool to New York in 9 days and 13 hours. These vessels revealed lack of knowledge and experience in construction for ocean voyages. As a result, the repair bill was very great, for driving them at maximum speed wracked the machinery. The voyages were not commercially profitable. A statement to Congress (1851) shows that while the total expenses per voyage averaged about \$68,000, the total receipts, including the subsidy, averaged about \$48,000, thus leaving a net loss of nearly \$17,000 per voyage. The speed of the vessels pro-

cured a larger percentage of trans-Atlantic passenger traffic. But misfortunes began. The "Arctic" running at high speed in mid-Atlantic, collided with the French steamer "Atlantic" and sank with a loss of 307 lives. A little later (1856), another of the vessels, the "Pacific," sailed on an ocean voyage and was never thereafter heard from. Although insurance was promptly paid by the British companies, aggregating \$1,250,000, the line failed under the stress of commercial depression and the failure of the United States to renew the subsidy contract.

## CHAPTER IX

### GOVERNMENT AID IN THE UNITED STATES

AT the time of the adoption of the Constitution (1789) the American merchant fleet engaged in foreign commerce was about 123,000 tons. On the same date Great Britain had more than two-thirds of that amount in the trans-Atlantic trade from the United States alone, to say nothing of the large tonnage engaged in the carrying trade of the world generally. Among the difficulties of the American Merchant Marine of that period was a basic fact which has not yet wholly changed; namely, that though ample cargo existed for outward voyages, the adequacy of our own products permitted very little bulk cargo for the inward voyage. The existence of cargoes both ways, while not a *subsidy*, is nevertheless an advantage the British fleet has over the American fleet which will require very substantial protection and Government aid to overcome.

At the first session of the new Congress of the United States a petition was presented by merchants in which they stated: "Your petitioners, on whichever side they may turn their eyes, see reason to believe that the United States may soon become as powerful in shipping as any nation in the world . . . Permit us to add that for want of national protection and encour-

agement, our shipping, that great source of strength and riches, has fallen into decay and involved thousands in the utmost distress."

In this same session of Congress (1789) our first tariff and tonnage acts were passed, providing ample protection to the American Merchant Marine in its competition with foreign vessels, not only with respect to preferential tariff rates but also by imposing on foreign vessels higher tonnage duties and port charges generally. To illustrate: the duty on high grades of green (hyson) teas when imported from China in American vessels was 20 cents per pound, whereas if imported in a foreign vessel it was 45 cents per pound. It is obvious importers had their tea transported in American vessels. Although specific differences were not enumerated it was provided by Section 5 of that Act:

That a discount of ten per cent on all the duties imposed by this Act, shall be allowed on such goods, wares and merchandise, as shall be imported in vessels built in the United States, and which shall be wholly the property of a citizen or citizens thereof, or in vessels built in foreign countries, and on May 16 last, wholly the property of a citizen or citizens of the United States, and so continuing until the time of importation.

The Acts of August 10, 1790, May 2, 1792, June 7, 1794, and of January 29, 1795, all continue this preferential duty on imports, in favor of American vessels. The Act of March 3, 1815, anticipated the Treaty of Commerce and Navigation with Great Britain, and enacted the principle of reciprocal dealings on a basis of equality which was imposed in that treaty as between Great Britain and the United States.

Notwithstanding our Act of March 3, 1815, and the treaty of the same year with Great Britain, the Act of April 20, 1818, provides:

That an addition of ten per cent shall be made to the several rates of duties above specified and imposed, in respect to all such goods, wares and merchandise, which after the said 30th of June, 1818, shall be imported in ships or vessels not of the United States: Provided, That this additional duty shall not apply to goods, wares and merchandise imported in ships or vessels not of the United States entitled by treaty, or by any act or acts of Congress, to be entered in the ports of the United States on the payment of the same duties as are paid on goods, wares or merchandise imported in ships or vessels of the United States.

The Act of May 22, 1824, continued the above provision in force, but the Act of May 19, 1828, which deals with the alteration of these several Acts imposing duties on imports, makes no mention of discriminating duties; this does not mean that the policy was abandoned. By the Act of July 14, 1832, it is provided:

That an addition of ten per cent shall be made to the several rates of duties by this Act imposed, in respect to all goods, wares, and merchandise, in the importation of which, in American or foreign vessels, a specific discrimination has not already been made, which, from and after March 3, aforesaid (1833), shall be imported in ships or vessels not of the United States: Provided, That this additional duty shall not apply to goods, wares and merchandise which shall be imported after said day in ships or vessels not of the United States, entitled by treaty, or by an act or acts of Congress, to be entered in the ports of the United States on the payment of the same duties as shall then be paid on goods, wares and merchandise imported in ships or vessels of the United States.

The Act of the following year, March 2, 1833, modifies the Act of 1832 but does not itself expressly mention discriminating duties. The policy is definitely preserved, however, in the Act of August 30, 1842, which provides:

That an addition of ten per cent shall be made to the several rates of duties by this Act imposed, in respect to all goods, wares and merchandise, on the importation of which, in American or foreign vessels, a specified discrimination between them is not herein made, which from and after the time when this Act shall take effect and go into operation shall be imported in ships or vessels not of the United States; and a further addition of ten per cent shall be made to the several rates of duties imposed by this Act on all goods, wares and merchandise, which shall be imported from any port or place east of the Cape of Good Hope in foreign vessels: Provided, etc., goods so entitled by treaty may enter at the rates paid on goods, carried by vessels of the United States.

With the tariff of 1846 (Act of July 30, 1846) the policy of the Government seems to have changed, for the time being, because it omits any express mention of discriminating duties. The omission exists also with reference to the Act of March 3, 1857, and the Act of March 2, 1861. The last mentioned Act immediately preceded the breaking out of the Civil War. Very soon after the commencement of that war the Act of August 5, 1861, was passed, which re-states this policy and provides for certain discriminating duties, as follows:

That all articles, goods, wares, and merchandise, imported from beyond the Cape of Good Hope in foreign vessels, not entitled by reciprocal treaties to be exempt from discriminating duties, tonnage, and other charges, and all other articles, goods,



wares and merchandise not imported direct from the place of their growth or production, or in foreign vessels, to be exempt from discriminating duties, tonnage, and other charges, shall be subject to pay in addition to the duties imposed by this Act, ten per centum ad valorem: Provided, That this rule shall not apply to goods, wares and merchandise imported from beyond the Cape of Good Hope in American vessels.

While the policy of discrimination was a distinct advantage, theoretically, to American vessels, the war negated any constructive value which otherwise might have accrued to the merchant marine, for the ocean was soon to be swept to a large degree by cruisers and privateers of the Confederate Government.

It will be observed that this Act of August 5, 1861, makes special reference to imports "from beyond the Cape of Good Hope in foreign vessels." This provision was safeguarded by the Act of July 14, 1862, in the express provision that the rule should be equally applicable if the imports came from a point this side of the Cape, if the goods imported were products of countries beyond the Cape. The amending Act of March 3, 1863, makes no mention of discriminating duties. The Act of June 30, 1864, provides for discriminating duties of an additional ten per cent on articles imported in vessels not of the United States unless entitled by treaty or act of Congress to enter at rates imposed on merchandise imported in vessels of the United States. The policy of the Act of August 5, 1861, mentioned above, is further developed by the provision that all articles, the growth or produce of countries east of the Cape of Good Hope, except raw

cotton, when imported from places west of the Cape of Good Hope, shall be subject to a duty of ten per cent ad valorem in addition to the duties to which such articles would be subject if imported direct from the country of their growth or production.

The Acts of March 3, 1865, and March 2, 1867, were merely amendatory of the existing tariff, and contain no special reference to discriminating duties. This was equally true of the Act of July 14, 1870, which, however, was not distinctly a tariff Act. The Act of June 6, 1872, entitled "An Act to reduce duties on imports, and to reduce internal taxes, and for other purposes," makes no express mention of discriminating duties. This Act contains a provision that "where any Act is hereby repealed no duty or tax imposed thereby shall be held to cease in consequence of such repeal until the respective corresponding provisions of this Act shall take effect," and it has been suggested that the effect of this provision is to leave the discriminating clauses in the earlier acts unrepealed, as the repealing act does not contain any "corresponding provision" on that subject. It is not clear that dealing with the subject in this way constitutes an express recognition of the policy by the Act of 1872. It is also to be noted that the Act of February 8, 1875, entitled "An Act to amend existing customs and internal revenue laws, and for other purposes," makes no mention of discriminating duties.

The policy of discriminating duties is reasserted with full vigor in the tariff Acts of March 3, 1883, October 1, 1890, and August 27, 1894. Each of these Acts provides for a discriminating duty of ten per cent addi-

tional on all articles not imported in vessels of the United States, and the language used is the exact language employed in the Act of June 30, 1864, to which we have referred above.

The policy is continued by the Act of July 24, 1897, entitled "An Act to provide revenue for the Government and to encourage the industries of the United States." Section 22 of this Act provides:

A discriminating duty of ten per cent ad valorem, in addition to the duties imposed by law, shall be levied, collected and paid on all goods, wares, or merchandise which shall be imported in vessels not of the United States, or which being the production or manufacture of any foreign country not contiguous to the United States, shall come into the United States from such contiguous country; but this discriminating duty shall not apply to goods, wares or merchandise which shall be imported in vessels not of the United States entitled at the time of such importation by treaty or convention to be entered in the ports of the United States on payment of the same duties as shall then be payable on goods, wares, and merchandise imported in vessels of the United States, nor to such foreign products or manufactures as shall be imported from such contiguous countries in the usual course of strictly retail trade.

The Tariff Act of August 5, 1909, entitled "An Act to provide revenue, equalize duties and encourage the industries of the United States and for other purposes," continues the policy and re-enacts Section 22 of the Act of 1897, quoted above.

The present Tariff Act, namely, the Act of October 3, 1913, and commonly known as the Underwood Tariff, entitled "An Act to reduce tariff duties and to provide revenue for the Government and for other purposes," preserves the policy intact by re-enacting

Section 15 of the Act of 1909, which, as has been shown, was a repetition of Section 22 of the Act of 1897. The present law contains the further provision:

That a discount of five per cent on all duties imposed by this Act shall be allowed on such goods, wares, and merchandise as shall be imported in vessels admitted to registration under the laws of the United States: Provided, That nothing in this subsection shall be so construed as to abrogate or in any manner impair or affect the provisions of any treaty concluded between the United States and any foreign nation.

This last provision, however, has been held to be inoperative, on account of our treaties.

It is obvious the policy of discriminating duties is not and has never been a party question. It has appeared in tariffs enacted both by Democrats and by Republicans. These provisions in the laws recited above, however, do not mean that the discrimination has, in fact, been applied. By their terms they are not applicable to vessels of nations having treaties or reciprocal working agreements with the United States under the Act of March 3, 1815. It was stated by Mr. Dingley, the eminent author of the Dingley Tariff, on the floor of the House of Representatives, that the principal reason for retaining such provisions in the tariff laws was to have a weapon of defense and offense against any treaty nation which should endeavor to evade its treaty. In 1916 the Senate desired to know what amount of money had been realized as revenue from discriminating tariffs, probably not so much to check the productiveness of such duties as to ascertain the extent to which the provisions had had any effect in giving practical preference to American vessels.

The Secretary of the Treasury replied to the inquiry that the account of moneys from that source had not been segregated from the general account of total duties collected, and the information therefore could not be furnished. It is the general belief that the presence of these provisions has had little value in the development of American shipping, and little purpose other than possibly that mentioned by Mr. Dingley. It has considerable value, however, as preserving in our legislation a substantially unbroken sentiment of Congress at different periods that the principle of discriminating duties in favor of American vessels is a vital principle to be used when necessary for our national protection through the upbuilding of our merchant marine.

In line with the historic attitude of Congress as revealed above, the Merchant Marine Act, 1920, Section 34, in order to give full force and effect to the present tariff law providing for discriminating duties expressly declares it to be the policy and judgment of Congress that all "articles or provisions in treaties or conventions to which the United States is a party which restrict the right of the United States to impose discriminating customs duties on imports entering the United States in foreign vessels and in vessels of the United States, and which also restrict the right of the United States to impose discriminatory tonnage dues on foreign vessels and on vessels of the United States entering the United States, should be terminated."

Not content with this statement of policy, the same section of the Act expressly authorizes and directs the President, within ninety days after the Act became law,

to give to the several Governments interested, the notice required by the treaties or conventions, that so much of any such treaty or convention as imposes any restriction on the United States to impose discriminating customs duties and tonnage dues shall end on the expiration of the periods required for such notice.

This provision of the Merchant Marine Act, 1920, has never been put into effect. In preceding pages it is mentioned that the policy of discriminating duties has never been a party question, but has been adhered to by both Democrats and Republicans in their respective tariff laws. It is significant that the refusal to put Section 34 into effect has also proved not to be a party question in that President Wilson and President Harding both refused to give the notice to foreign Governments required by the Act.

Whether the Executive Department of the Government is justified in ignoring a policy and direction so definitely ordered by Congress, does not come within the province of this paper on the merchant marine. It is realized that all matters pertaining to the negotiation of treaties, and conversely, to their modification or cancellation, is a function of the Executive under the Constitution, and cannot be usurped by Congress. While this is manifestly true as far as the subject relates to the negotiations of treaties in the first instance, it is not apparent, when the treaty by its own terms expressly provides that either party thereto may terminate it by giving notice in a specified length of time, why Congress cannot by law or by joint resolution express the will of the people that such notice shall be given, and direct the Executive to give effect thereto,

as the Executive is expected to give effect to any other Act of Congress. This, however, as stated above, is a constitutional question which it is not the writer's function to solve.

## CHAPTER X

### OTHER FORMS OF GOVERNMENT AID

THE principle of discriminating duties as a means of Government aid to national shipping is of course to be clearly distinguished from the principle of ship subsidies or compensation. With discriminating duties existing, the owner of the vessel receives no payment from the Government; the benefit which accrues to him arises from the fact that the importing merchant insists upon his cargo being brought under the American flag in order that he, the merchant, may get the benefit of the lower tariff. The benefit to the vessel accrues from increased patronage, because cargo seeks the American flag rather than a foreign flag, and when the differential in the tariff is substantial, the importer can afford to pay a higher rate of freight to the American vessel than to a competing foreign vessel. The provision for discrimination in tonnage taxes and other port charges is a more direct benefit from the Government to the vessel, but it is not a direct payment of money from the Treasury to the vessel. The fact that the American vessel pays less than its foreign competitor means that its operating expenses in this respect are correspondingly less and therefore its power to compete successfully is correspondingly increased.



The principle of ship subsidies as compensation to vessels engaged in foreign trade involves direct payments from the Government Treasury to the owner of the vessels. They have taken several forms; among them are navigation bounties, consisting of the payment of stated sums for the number of miles traveled, varying with the size of the vessel; and voyage bounties, which provide for definite payments either per voyage or for a stated number of trips per year for vessels on a stated route and of a stated type and size. Subsidies coming under this second class are usually in the form of postal subvention contracts.

The granting of foreign postal subventions to steamship lines as a method of extending direct aid to merchant shipping has been in quite general use throughout the world; the system, however, is not employed now as extensively as heretofore. Great Britain adopted it as a policy in 1837; France, in 1851. Among other countries that have used it are Norway, Sweden, Italy, the Netherlands, Brazil, Japan, Spain and Portugal. Germany first applied it in 1886 by her assistance to the North German Lloyd.

While one purpose of mail subventions is to encourage the maintenance of fast foreign mail service with regular routes and schedules, equally important are the objects attained in the development of foreign commerce and the existence of merchant vessels suitable and available for service as naval auxiliaries and transports in time of war.

The direct financial aid that the United States heretofore has granted to merchant shipping has been by mail subventions to lines successfully competing for the

privilege of carrying the foreign mails on specific routes in foreign trade.

This policy was applied as early as the Act of Congress of March 3, 1845, which authorized the Postmaster General to contract with vessels of the United States for periods of not more than ten years for the transportation of mails between: (a) ports of the United States and any foreign ports; and (b) various ports along the coast of the United States. The aid under that Act consisted of a liberal payment per voyage. As the foreign mails were carried in return for the payments received, such payments were of course not exclusively voluntary aid, but partly compensation. The Act required the vessels to be American owned; steamships were preferred over sailing vessels. It was the intent of this law to assist vessels in the United States to meet the competition of the Cunard Line vessels which recently had been highly subsidized by Great Britain. The first contract under the Act was in 1847 with the Ocean Steam Navigation Company for service between New York and Bremen, and New York and Havre; it provided a grant of \$100,000 per year for each ship making a round voyage once in two months between New York and Bremen via Cowes; and a grant of \$75,000 for each ship operating between New York and Havre via Cowes. In 1858 the New York-Bremen service was discontinued but the New York-Havre Line continued to 1861 when its steamers were chartered by the Government for navy purposes.

Other contracts under the Act of 1845 were those made for a semi-monthly service between New York

and the Isthmus of Panama with calls at Charleston and Savannah, for which \$290,000 annually was paid, and the contract for a monthly service from the Pacific side of the Isthmus of Panama to Astoria, Oregon, for which \$199,000 per year was paid. The latter contract was taken over by the Pacific Mail Steamship Company which then had been recently organized. This service was instituted in October, 1848, and proved very successful because of the rush to the California gold fields. Another contract was for a monthly service between Charleston and Havana, at a compensation of \$45,000 per annum. The most important contract under the Act of 1845, however, was for service by the "Collins Line" between New York and Liverpool, which began in 1850. It was highly successful as far as the transportation of mail and passengers was concerned, due to the fact that its vessels frequently made the run in one day less than the competing Cunard Liners. The contract required five steamers, each of not less than 2,000 tons; the compensation was \$19,250 each for 20 round voyages per year or \$385,000 per year. In 1852 this aid was increased to \$853,000 per annum for 26 voyages, to meet the greater competition by the Cunard Line, resulting from the increased aid given it by the British Government. The Government in 1858 abandoned the policy of thus aiding the merchant marine, having expended through the entire period (1848-1858) for all services under the Act a total of \$14,400,000, or an average of \$1,300,000 per annum.

The second period of aid through mail contracts extended from 1864 to 1877. It was based on the Act

of May 28, 1864, and provided for a monthly service between Philadelphia and Rio de Janeiro, the United States paying \$150,000 per annum and Brazil \$100,000—a total of \$250,000. The vessels were required to be first class American built steamers constructed under the supervision of the Navy and subject to requisition in time of war. The line continued from 1865 to 1876. In 1867 the Pacific Mail Steamship Company, which had been created during the first period mentioned above, began the operation of a service between San Francisco and China and Japan via Honolulu, under a ten-year contract at a compensation of \$500,000 per annum. The vessels had to be built in American yards under the supervision of the Navy. The company was released from its obligation to call at Honolulu without reduction of its pay, and later a new contract for the Honolulu service was made with the California, Oregon and Mexican Line which received \$75,000 annually.

The third period of mail subventions in the United States began with the Act of March 3, 1891, entitled "An Act to provide for ocean mail service between the United States and foreign ports." This Act is still in force. It authorizes contracts for periods of five to ten years with American citizens for carrying mails between the United States and foreign countries, excepting Canada, on vessels to be operated from ports equitably distributed along the Atlantic, Gulf and Pacific coasts. The vessels used must be American built steamships of the latest and most approved types, owned and officered by American citizens, with crews at least 25 per cent United States citizens during the

first two years of the contract,  $33\frac{1}{3}$  per cent during the next three years, and 50 per cent for the rest of the term.

The Act specifies four classes of vessels, on a basis of compensation varying chiefly with tonnage and speed. Vessels of the first, second and third classes, if yet to be constructed, must be under plans approved by the Navy, with a view to their possible use as auxiliaries and cruisers; if already constructed they must be approved by the Navy as fit for the service proposed. If they are taken by the Navy, it will be at their fair actual value at time of taking; if value is not agreed upon, it will be determined by arbitration.

The total payments thus far (1922) by the United States under all the contracts amount to \$29,099,627, or about \$970,000 per year. This Act has not had the desired and expected result of restoring the prestige of American shipping, especially in the trans-Atlantic trade. That the compensation provided was not excessive for the services rendered is reflected in the fact that the three contracts made with the Pacific Mail Steamship Company in 1892 for services, respectively, from New York to Colon, from San Francisco to Panama, and from San Francisco to Hongkong, were discontinued within two years thereafter, at the request of the contractors. Also in 1894, the two contracts made in December, 1892, with the United States and Brazil Mail Steamship Company for services, respectively, between New York and Buenos Aires, and New York and Rio de Janeiro, were then annulled. The contract with the International Navigation Company made in 1895 for service between New York and Ant-

werp with calls at Southampton and French ports, was also annulled in 1894, but under a new contract the service was continued between New York and Southampton, hence this annulment was in fact an abandonment only of Antwerp service.

The high water mark of mail subventions is perhaps found in the contract made in 1903 between the British Government and the Cunard Line for the construction and operation of the steamships "Lusitania" and "Mauretania." This contract continues for twenty years, from 1907. The "Mauretania" is still operating under this agreement, the original terms of which were equitably revised after the loss of the "Lusitania" in 1915. Under the terms of the original contract Great Britain loaned £2,600,000 (\$12,636,000) to the Cunard Company, at  $2\frac{3}{4}\%$  interest, for the construction of the two liners—an interest rate fully 2% less than the prevailing market rate. The interest concession was but a small part of the aid given, there being granted also a yearly mail and admiralty subvention of £218,000 (\$1,059,480), to be paid by Great Britain to the Cunard Line. This amount was sufficient not only to pay the interest due to the Government, but also the annual installments of principal. Furthermore, after paying these items, an excess still remained which through the twenty years of the contract would aggregate \$4,911,490. The net result of the transaction was that Great Britain made a gift of the vessels to the Cunard Company, and a further gift of nearly \$5,000,000 towards their operating expenses. The obligation of the company in return was to maintain and operate the vessels through the twenty-year period,

to hold them subject to the call of the admiralty, and to carry the mails free, including parcels post, within certain bulk limits, parcels post in excess of those limits being paid for. While few subventions have been granted even by foreign Governments, on so generous a scale as the Cunard case presents, nevertheless the contract reflects the attitude and spirit of certain foreign Governments in their determination to maintain a national merchant marine of the highest standard, since the action of the British Government was due largely to fear of the ascendancy of the German mercantile marine which was rising rapidly through that period.

Section 24 of the Merchant Marine Act, 1920, which Act to a great extent takes the place of the Ocean Mail Act of 1891, notwithstanding the latter remains in force, authorizes the Postmaster General to enter into contracts for the carrying of mails within the limits of appropriations made therefor by Congress. The compensation may be fixed by the United States Shipping Board and the Postmaster General on the basis of requirements in the development of a merchant marine adequate to provide for the maintenance and expansion of the foreign or coastwise trade of the United States and of a satisfactory postal service in connection therewith. No contracts have yet been made, however, under Section 24 of the Merchant Marine Act. Officials of the Post Office Department have stated that full compliance with the section would be attained if proper vessels were placed on about fourteen routes. If this were done, the total outward annual mileage that would be covered by vessels, and for which com-

pensation would be allowed, would be approximately 2,000,000 miles, including vessels of all speeds. If compensation were paid by the Government on an average basis of \$4 per mile for the outward voyage, the total cost would amount to about \$8,000,000 per annum.

The payment of mail subventions can be considered as Government aid only to the extent that the payments exceed reasonable compensation for the services rendered. When requirements are introduced into the contract which obligate the owner of the vessel to do other things, as, for instance, to carry a certain percentage of American citizens in the crew, though a crew of another nationality could be employed at substantially lower rates; or to surrender his vessel to the Government, or so to construct and equip the vessel that it will be more nearly ready for public use, the question is further complicated as to whether the payment is a *subsidy* or merely compensation in return for adequate benefits received by the Government. Some of the undoubted advantages of aiding shipping are that the mere existence of an adequate merchant marine is an arm of strength to the nation in time of war, while in time of peace there is a great economic power accruing to any country having control of the carriers of its own foreign commerce.

A distinction exists between indirect aids and direct aids. A direct aid is one paid by the Government from its Treasury direct to the owner of the vessel benefited. Indirect aid is one under which no payment whatever is made by the Government to the owner of the vessel, but indirect benefits are provided



by law which have the effect either (a) of furnishing inducements to importers and exporters to use American vessels in preference to foreign vessels; or (b) of giving an American vessel certain advantages in reduced tonnage duties or other port charges. Another form of indirect aid of very substantial value in the small field it covers, arises under the "coastwise laws," which wholly exclude foreign vessels from our coastwise commerce. This form of indirect aid—that is, the protection afforded by our coastwise laws—does not affect the general problem of the merchant marine, for the real problem is to develop American carriers engaging in services between the United States and foreign countries. There has been no suggestion from any source that assistance be furnished our coastwise vessels, beyond the exclusive trade privilege they already enjoy. The term "coastwise" as used in relation to these laws includes not only the coasts of continental United States, but also all trade between the United States and Porto Rico and Hawaii. Under the Merchant Marine Act, 1920 (Sec. 21), the President, when he is satisfied that adequate service is furnished by American vessels, may extend the operation of the "coastwise" laws to cover trade between the United States and the Philippine Islands.

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The Merchant Marine Act, 1920, substituted a form of indirect aid in place of the discriminating duty which had been practically lost. Section 28 forbids the quoting by railroad companies of special rates lower than their ordinary local rates, between points in the interior

of the United States and ports of entry or exit, on goods to be exported or being imported, unless the goods are to be or have been transported on an American vessel. The provisions of this section have not yet been applied because, at the instance of the United States Shipping Board, the Interstate Commerce Commission has decreed that adequate services by United States vessels do not yet exist to justify their application. Equality of treatment of all ports of the United States, as required by the Constitution, makes impossible the application of this section until all United States ports can be included. In other words, the fact that adequate service from a particular port to a foreign country exists would not justify the application of the provisions exclusively to that port, and permit them not to apply equally to another port of the United States, on the theory that from the latter port there was no such service to a foreign country. This, however, does not prevent the application of the Section to some particular foreign port in favor of all ports of the United States, notwithstanding its provisions may be suspended as to other foreign ports. It is quite possible that adequate service from United States ports generally might exist to some particular country, and the service from the United States to other countries be wholly inadequate and that therefore foreign vessels should not be discouraged in their trade relations with such last named countries.

This connection between the railroads and shipping presents another aspect of those relations, viz., the co-ordination of rail and water transportation. The facility and economy with which a shipper at an inte-

rior point can safely deliver his products at ports across the ocean is a reasonable test for the extent and efficiency of our transportation service. The importance of such service to the wheat grower of the West is very great. The market value of his wheat in America is the prevailing market value in Liverpool, less, approximately, the cost of transportation from the United States to Liverpool; hence, as the cost of this transportation decreases, the value of the wheat itself, in America, correspondingly increases. Such through movements of freight from an interior point to a foreign port include at times an initial water transit by lake, river or canal, then a long rail haul, then possible warehousing and other terminal charges, before shipment on its final ocean voyage. When reasonable co-ordination and efficiency have been attained with these movements, the merchant or farmer of the Middle West will obtain a single bill of lading and a single rate of freight covering the shipment from the point of origin to the foreign port of discharge.

Something has already been accomplished in the development of a through system from the interior to foreign ports. Under Section 25 of the Transportation Act, 1920, a shipper in the interior may require the connecting railroad to ascertain what space and rate are available on any ocean steamer under the American flag, and if a vessel's quotation is accepted, the space must be held for the arrival of the goods.

Progress has also been made in the documents. The shipper may now obtain at the point of initial shipment by rail a through bill of lading including the ocean haul; however, though included in one document, the

compensation and liability of the railroad and of the steamship, respectively, are several; hence, in case of loss or damage in transit, the shipper or consignee still has the burden of properly placing and proving liability. These uncertainties should be removed.

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The terminal at which delivery is made by the rail line to shipside for the ocean voyage is a point where proper co-ordination is greatly needed; every step to economize and expedite the vessel's turn-around is of value; the accumulation of cargo in warehouses in advance of vessel's arrival, proper facilities for the transfer of freight from cars direct to vessel, and efficient mechanical devices for unloading and loading in bulk, are large factors in the solution of the problem. Terminals *privately* owned and operated have been retarded in their extension and development by competing railroad-owned terminals, because the railroads owning terminals quote through rates which include and absorb the terminal charges.

As a basis of proper co-operation between agencies essential to our commerce, it is claimed the terminal charges of railroads should be set forth as separate items in the computation of a through rate and that these items should be sufficiently high to cover the cost of such terminal charges, including a reasonable profit. On this basis, it is contended, private terminals could compete, and under competitive conditions the facilities of the port would be extended and developed. It would seem that all terminals used in our water-borne commerce should be brought under the regulation of

the Government, acting through the United States Shipping Board and the Interstate Commerce Commission, to the end that reasonable uniformity and co-operation might be attained.

Because of the problems presented in the traffic relations between our railroads and steamships, certain railroads of the United States have had definite export and import traffic agreements with steamships engaged in foreign trade, a few of which are still in force. Some of these contracts were made at times when available tonnage under the American flag was very limited, hence the motives of such railroad companies in contracting with foreign lines are quite free from criticism. Some of these contracts, however, have been made with foreign lines since the present great merchant fleet of the United States was constructed, consequently they are prejudicial to the interests of American shipping.

It seems expedient and wise to permit reasonable working agreements to exist between railroads and steamships with special reference to the interchange of traffic between the roads and vessels of the United States. If such contracts are proper, it seems desirable to permit railroads, in proper cases, to own and operate vessels engaged exclusively in foreign trade. This policy should give an impetus to the investment of new capital in American shipping, and therefore in the possible purchase of vessels from the United States Shipping Board. The relations and obligations of such steamship lines to the railroads should be subject to the supervision of the United States Shipping Board, and in no case should the railroad, either in the form of contracts for the exchange of export and import

freight, or through the ownership or control of terminals, or by virtue of its owning vessels, be permitted to give any preferential treatment to its own or to any other vessels, to the prejudice of other vessels under the American flag, in their full participation of traffic privileges and opportunities with such railroad or its terminals.

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In the bill now pending in Congress known as the Merchant Marine Act, 1922, and which has been introduced at the instance of the United States Shipping Board, two provisions for indirect aid deserve special mention. One of these proposes to encourage exporters and importers to use American vessels in preference to foreign vessels by the provision that they shall be allowed to deduct from income tax a sum equal to five per cent of all ocean freight moneys paid by them to American vessels for carrying goods to or from foreign countries. While it is of course uncertain whether this measure will become law, it is obvious if enacted it would result in a great increase of cargoes for American vessels. If our vessels were furnished with ample cargo on their return as well as on their outward voyages, receiving a fair rate of freight, no direct Government aid whatever would be needed. Unfortunately American vessels very frequently do not have this advantage.

The other provision of the pending Act to which we have referred is one which will require the transport in American vessels of one-half of all immigrants admitted to our country in any particular year, unless the United States Shipping Board certifies that ade-

quate shipping facilities do not exist to meet this obligation. It has been suggested that all immigrants to the United States should be required to travel on American vessels. This would not be reasonable. The fundamental principle controlling direct trade with foreign nations is that such direct trade should be shared equally by the two nations involved, and therefore neither should seek more than one-half for its vessels. This applies with equal force to the transportation of immigrants. As to those immigrants coming from countries which have no merchant marine, it is entirely reasonable to claim the right to transport all of them in American vessels, provided we have vessels capable of rendering this service in a proper manner.

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Another form of indirect aid which, in a sense, should not eventually cost the Government anything, is the provision of Section 11 of the Merchant Marine Act, 1920, for loans to citizens "to be used in aid of the construction of vessels of the best and most efficient type for the establishment and maintenance" of steamship lines approved by the Board. Provision is of course made for the proper security of the loans. The advantage to the investor results from the reduced interest charge below what he would have to pay to capitalists, if indeed funds were available to him at all. The bill at present pending in Congress, to which we have before referred, proposes extending the provisions of this section so that loans can be made on account of old vessels and thus make possible their re-equipment "with the most modern, the most efficient,

and the most economical machinery and commercial appliances."

This provision for Government aid in the form of loans on vessels at a low rate of interest is not new. In referring to the subject of postal subventions it was stated that Great Britain made a loan to the Cunard Steamship Company in 1903 of the large sum of £2,600,000 (\$12,636,000) at the very low interest rate of  $2\frac{3}{4}$  per cent, to enable that company to build the "Lusitania" and the "Mauretania." This policy has been applied by other countries, including Austria, Belgium, France, Russia, Sweden and the Netherlands.

In addition to the Government assistance furnished in Holland, private interests have developed a plan which has been very helpful to shipping companies. Ship Mortgage Banks constitute the method employed. They were first established in Holland in 1899, and in 1918 twelve of them were in operation. While their primary concern has been with small vessels, they have at times furnished aid on a larger basis to sea-going vessels. These banks are not banks in the strict sense of the word, as they do no commercial banking business. In reality they are mortgage companies dealing in ship mortgages. Their method of operation may be best explained by citing an hypothetical case. Assume a bank with a capital of 1,000,000 florins. One-tenth of this amount will be paid in, the stockholders being liable for the unpaid 90 per cent. The company then issues debentures to the amount of say 500,000 florins, bearing interest at 5 per cent. The assets from the sale of these debenture bonds are loaned on ships in



amounts limited to 60 per cent of the value of the vessel. These loans are made at say 7 per cent. The margin of profit between 5 per cent paid on the bonds and 7 per cent received on the ship mortgages appears small; it is, in fact, quite large in view of the actual investment of the stockholders. The 2 per cent profit on 500,000 florins amounts to 10,000 florins, being equivalent to 10 per cent on the 100,000 florins of paid up capital.

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The subject of loans for the construction and re-equipment of vessels to which we have just referred has a direct bearing upon the cost of operation, because of the lower interest rate thus made available. In a measure it can be regarded rather as a construction subsidy than a navigation subsidy. Another indirect aid in construction is made by Section 23 of the Merchant Marine Act, 1920. That section provides that the owner of a vessel engaged in foreign trade shall be entitled to an exemption of the net earnings of such vessel from the war-profits and excess-profits tax under Title III of the Revenue Act of 1918, provided he invests the amount of the tax thus waived in the construction of a new vessel costing not less than three times the amount of the tax waived. The same section contains the further provision that if an American citizen sells a vessel which was constructed prior to January 1, 1914, he shall be entitled to have the profits on the transaction exempt from any and all income taxes due the Government under the Revenue Act of 1918, including war-profits and excess-profits taxes, provided

he invests the amount of the proceeds of sale in new ship construction. The new vessels would of course have to be documented under the laws of the United States. It will be observed in the one case the amount he has to invest is the amount of the tax which is waived, and in that case he has to supplement the fund to the extent of two to one; in the other case, that is, with reference to the proceeds of sale, it is not the amount of the tax waived which must be invested, but the whole profits of the sale. However, he would not have to supplement the amount with any further sum from his own funds. A number of shipowners have set aside their waived taxes on net earnings under the provisions of this section, and it has resulted in a substantial contribution to ship construction.

## CHAPTER XI

### NECESSITY FOR DIRECT AID

SEVERAL causes combine to make Government aid to American vessels quite necessary in their competition with foreign vessels. This competition is of course limited to foreign trade, as foreign vessels are not permitted to engage in our coastwise or domestic trade. The first of these causes is the higher cost of construction of a vessel built in an American shipyard. This higher cost results chiefly from the higher wages paid American mechanics and laborers, and the higher cost of American material entering into the fabrication of the vessels. This higher cost is necessarily reflected in the shipping business all through the life of the vessel, inasmuch as the annual expense of its operation is made up not only of the out-of-pocket items in its actual operation, but also the items of insurance, interest and depreciation. Even when the advantage of a loan from the Government at a low rate of interest has been obtained, the fact remains that interest must be paid on an investment exceeding what would have been required if the vessel had been constructed in a foreign shipyard.

So with insurance. Even though the American shipowner enjoys the same rate as his foreign competitor, his insurance item is larger in his annual payments ac-

count, because insurance has to be carried on the excess cost. The fact is, however, that in many cases an American vessel not only has to pay insurance on its higher cost, but it has to pay a higher rate of insurance on its entire cost, notwithstanding the fact that its physical condition and seaworthiness are of the highest. These cases arise when the insurance company, while entirely satisfied with the vessel itself as a risk, is not satisfied with the experience and seamanship of the crew. This situation has developed to the prejudice of a nation whose citizens are not as fully experienced as citizens of other maritime nations, because of the neglect in the development of its merchant marine in the years preceding the war.

So with the item of "depreciation." All prudent business men in computing their annual profits set aside an amount from earnings to eventually offset the depreciation or obsolescence of their plant. This principle applies with greater force in respect to shipping than with industrial plants generally. Experienced operators think it necessary to charge off the total cost of the vessel within 20 years, in other words, to set aside five per cent from net earnings each year as a contribution to a fund to amortize the original cost of the vessel. It is obvious this five per cent of the excess cost to the American owner and operator is at once reflected as an additional item of expense in his annual operating account.

These three items—interest, depreciation and insurance—can be conservatively computed at fifteen per cent on the cost value of the vessel. Hence, if the American vessel has cost \$100,000 in excess of a for-

eign vessel of like type and size, the American operator is burdened with an annual charge of \$15,000 in excess of the annual charges of his foreign competitor owning the similar ship.

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Another important item which prevents the successful competition of an American vessel with its foreign competitor is made up of the higher wages paid the seaman, the better and more varied fare allowed him, and the superior accommodations furnished him in the fore-castle. The wage differential is due to economic conditions reflected in the higher wages of all American workmen. The items of subsistence and living quarters are in some degree due to our legislation. The principle of the Seamen's Act is commendable. That principle seeks to secure to the workman proper protection when he is on the high seas and subject to the autocratic rule of the master of the vessel by insuring him subsistence and accommodations suitable to an American citizen. This does not alter the fact that the vessel subject to these additional burdens is greatly prejudiced in competition in foreign trade with vessels of other nations whose laws do not require the high standards which have been laid down by Congress. While it may be perfectly proper for Congress to enact legislation of this character, not only as a matter of justice to the men who go to sea, but also as an incentive to a greater number of Americans in adopting seamanship as their calling, it is obvious the burden of these humane laws should not necessarily be cast wholly upon the trade or craft, but should be borne by the people as a whole.

The simple proposition is that the American people desire American seamen to be kept on a high level. As other nations with whom American vessels must compete do not adopt the same standards, the American people as a whole should bear the burden of the higher cost involved in maintaining the higher standard for their fellow citizens. This is especially true when it is remembered that one of the main purposes of having a merchant marine is for the national defense in time of war. The higher standard required in time of peace with a view to holding better men in the calling results in more competent men being available to the Government in time of war.

In an address to Congress by Mr. Williamson of North Carolina in 1792, he emphasized the importance of Congress taking an interest in American shipping, and in that connection mentioned some of the experiences of American vessels arising from the policy of visit and impressment applied by Great Britain, on the ground that the seamen were not citizens of America but were citizens of Great Britain. Mr. Williamson said: "Measures have already been taken by Congress for increasing the number of our shipping; but no effectual and general measure has been adopted for increasing the number of native American seamen. Every gentleman in my hearing knows that there are always a considerable number of foreigners employed on board American vessels; but none of us could have expected, and some of us may not have heard of the injury and insults to which our commerce has been exposed, from having British seamen on board our ships."

Then Mr. Williamson gave some illustrations of the experiences of vessels, and continued: "These are a few out of the numberless cases in which our ships have been robbed of their seamen, and they are samples of the manner in which we shall be constantly treated, while we depend on foreigners to navigate our ships. If these cases had terminated in threats and abusive language, to which our flag is too much 'accustomed, it might have been questioned whether the nation of the offending party was to blame. When you are told by one officer and another, that he is instructed to distress our trade, we should, if possible, deprive them of the present excuse. Is it not our business to inquire into the cause of this strange conduct? By a vitiated passion for British goods, we are universally clothed in the manufactures of that nation. Our debts increase every year, and we labor to make her rich, while we are becoming poor. We pour our treasures into her lap more than any other nation under the sun. Observe the rewards! I say nothing about her measures in our Western Frontier; but our trading ships are boarded and plundered at discretion by her ships of war; and yet, Great Britain, whose commerce we cherish, is the only nation that treats us in this manner. . . . It is our duty to consider of the safest and surest mode of extending our commerce. After we have been told that an American vessel having sailors on board, who chance to have been born in the British dominion, is subject to be deprived of her hands, robbed of her property and turned adrift without help, it can hardly be necessary to adduce other arguments in favor of native American seamen."

Another element which in the case of the British Merchant Marine gives it a very great advantage over the American Merchant Marine—an element which emphasizes the need of appropriate aid to our merchant marine—is the splendid organization which has been developed by the English nation through the several centuries it has been on the ascendancy in the world's carrying trade on the high seas. We refer especially, not to the organization of the individual shipping company, but to the development of trading agencies all over the globe, proper terminal facilities, and well developed international insurance and banking systems. Great Britain has more than 325 coaling or bunkering stations distributed over the globe. This last item is a significant one. It makes it possible for an English cargo vessel, when it has no general outward cargo, to load with coal for delivery at the bunker station nearest its destination where it is planned to procure return cargo, and thus procure freight both ways.

The United Kingdom is a thickly populated and, in normal times, a busy manufacturing country. On the one hand, large volumes of products are available for distribution all over the world. On the other hand, her vessels must necessarily bring large volumes of food stuffs home, for her small area permits a very limited production only, of her needed supplies. These conditions are great factors in the success of her merchant marine, furnishing both outward and return cargoes.

The usual principle which has been applied in providing direct aid from the Government to its merchant



shipping has been a navigation bounty in one form or another, under which the vessel receives an amount computed upon its tonnage either as a flat annual sum, provided it engages in foreign trade a definite percentage of the year, or, without any reference to proportional periods of time, computed on the basis of the number of miles it travels. In the bill recently introduced (1922) into Congress at the instance of the United States Shipping Board, a third element is used in determining the amount the vessel will receive as a subsidy. It is the element of speed. It seems logical that speed should be used in the formula for the computation of the amount, for vessels of fair speed and some vessels of very high speed are extremely essential as naval auxiliaries in time of war, and the expense incident to the operation of these vessels increases in a ratio out of all proportion to the mere increase of speed. If, therefore, investors are to be induced to build vessels of a type which shall be of exceptional value to a nation in time of war, this item should be considered in the application of the general formula for the payment of subsidies. In the bill to which we have referred, it is provided that vessels having a speed of less than 13 knots shall receive one-half of one cent per gross ton for each 100 miles traveled in foreign trade, and in addition it is provided when the vessel has a speed exceeding 13 knots but less than 14 knots, the unit of computation shall be greater than half of one cent, and if it has a speed greater than 14 knots but less than 15 knots, the basic rate is further increased, and thus continuing on an ascending scale until a maximum speed of 23 knots is reached. For

vessels of this highest speed the compensation shall be 2.6 cents per gross ton for each 100 miles traveled in foreign trade. There are many practical safeguards and administrative provisions which are provided by the bill, such, for instance, as that the mileage on which the vessel is to be paid the subsidy is not to be determined by the vessel's log and the uncertain deviations it may follow as it sails from port to port, but is to be computed on the distance between ports on the route ordinarily followed by vessels engaged in that trade. No doubt, also, the mileage for such route would vary according to season as the route may be changed between seasons.

## CHAPTER XII

### AMERICA'S PERSISTENT DESIRE FOR A MERCHANT MARINE

THE last formal expression of the American people in their attitude toward the merchant marine is found in Section 1 of the Merchant Marine Act, 1920, in which Congress definitely states: "That it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States; and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine."

The First Congress of the United States, on July 4, 1789, equally emphasized its zeal and interest in the development of the merchant marine by the enactment of discriminating duties and tonnage taxes in favor of American vessels, to which we have before referred. When the tonnage tax bill was before Congress, James Madison, then a member of that body and subsequently President of the United States, said: "I admit,"

he continued, "that laying fifty cents on foreign vessels, and but six cents on our own, is a regulation by which the owners of American shipping will put a considerable part of the difference into their pockets. This, sir, I consider as a sacrifice of interest to policy; the sacrifice is but small, but I should not contend for it, if we did not stand in need of maritime improvements. Were it not for the necessity we are under of having some naval strength, I should be an advocate for throwing wide open the doors of our commerce to all the world, and making no discrimination in favor of our own citizens. But we have maritime dangers to guard against, and we can be secured from them no other way than by having a navy (marine) and seamen of our own; these can only be obtained by giving a preference. I admit it is a tax, and a tax upon our produce; but it is a tax we must pay for the national security. I reconcile it to the interest of the United States that this sacrifice should be made; by it we shall be able to provide the means of defense, and by being prepared to repel danger, is the most likely way to avoid it."

In another address that eminent citizen, speaking in favor of the bill providing for import and discriminating duties, referred to the effect of Great Britain's policy then being applied. He said: "Let us review the policy of Great Britain towards us. Has she ever shown any disposition to enter into reciprocal regulations? Has she not, by a temporizing policy, plainly declared that until we are able and willing to do justice to ourselves, she will shut us out from her ports, and make us tributary to her? Have we not seen her tak-

ing one legislative step after another to destroy our commerce? Has not her Legislature given discretionary power to the Executive, that so she might be ever on the watch, and ready to seize every advantage the weakness of our situation might expose? Have we not reason to believe she will continue a policy void of regard to us, whilst she can continue to gather into her lap the benefits we feebly endeavor to withhold, and for which she ought rather to court us by an open and a liberal participation of the commerce we desire? Will she not, if she finds us indecisive in counteracting her machinations, continue to consult her own interest as heretofore? If we remain in a state of apathy, we do not fulfill the object of our appointment."

It will be observed that the key-note is the necessity of adequate ships for the protection of the nation in time of war. When the general subject was under discussion in the United States Senate in 1818, Senator Rufus King of New York said: "Nations have adopted different theories, as respects the assistance to be derived from navigation; some have been content with a passive foreign commerce—owning no ships themselves, but depending on foreigners and foreign vessels to bring to them their supplies, and to purchase of them their surpluses; while others, and almost every modern nation that borders upon the ocean, have preferred an active foreign trade, carried on, as far as consistent with the reciprocal rights of others, by national ship and seamen. A dependence upon foreign navigation subjects those who are so dependent to the known disadvantages arising from foreign wars, and to the expense and risk of the navigation of belligerent nations

—the policy of employing a national shipping is, therefore, almost universally approved and adopted; it affords not only a more certain means of prosecuting foreign commerce, but the freight, as well as the profits of trade, are added to the stock of the nation.”

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That the matter of discriminating tonnage duties was not viewed in any sectional spirit is reflected in the address of Mr. Page of Virginia, in 1790, then a member of the House of Representatives: “I believe it the interest of the Southern states that shipbuilding should be encouraged to the utmost extent in the United States. The fine timber they have would then be sold to advantage in the form of ships, instead of being destroyed or thrown away under the name of lumber, or in trifling staves. . . . It is their interest that their sister states should carry for them, instead of foreigners. Under the late Confederation, when each state was proud of its separate sovereignty and independent interest, and viewed each other with a jealous eye, I have heard harsh expressions respecting the growing naval strength of the Eastern states; but under the present Government there is no reason for such reflections; their strength is the strength of the Union; and in this respect they are to the United States what Holland is to the United Provinces. I affirm again, sir, that we are in no danger from the retaliation of Britain; and we may with more propriety raise the tonnage tax than increase the duties on articles.”

It is of value to take note of the attitude of Thomas

Jefferson on the subject of our merchant marine, in a report made by him to Congress in 1793 about our maritime affairs. He says: "Our navigation involves still higher considerations. As a branch of industry, it is valuable; but as a resource of defense, essential. Its value, as a branch of industry, is enhanced by the dependence of so many other branches on it. In times of general peace it multiplies competitors for employment in transportation, and so keeps that at its proper level; and in times of war, that is to say, when those nations who may be our principal carriers, shall be at war with each other, if we have not within ourselves the means of transportation, our produce must be exported in belligerent vessels at the increased expense of war-freight and insurance, and the articles which will not bear that must perish on our hands. But it is as a resource for defense, that our navigation will admit neither neglect nor forbearance. The position and circumstance of the United States leave them nothing to fear on their land board, and nothing to desire beyond their present rights. But on their sea board they are open to injury, and they have there, too, a commerce which must be protected. This can only be done by possessing a respectable body of citizen seamen, and of artists and establishments in readiness for shipbuilding. . . . The carriage of our own commodities, if once established in another channel, cannot be resumed in the moment we may desire. If we lose the seamen and artists whom it now occupies, we lose the present means of marine defense, and time will be requisite to raise up others when disgrace or losses shall bring home to our feelings, the error of having aban-

doned them. The materials for maintaining our due share of navigation are ours in abundance; and, as to the mode of using them, we have only to adopt the principles of those who thus put us on the defensive, or others equivalent and better fitted to our circumstances."

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These extracts from the addresses of eminent Americans belong to that strenuous period in the early days of the young Government of the United States when we were struggling for our independent place in the commerce of the high seas. We have referred to them because the principles there presented are as applicable today as formerly. It is true the incentive does not present itself in the same form, for the antagonisms arising from the retaliatory laws enacted by the Governments of Great Britain and the United States in the struggle in which they were then engaged, no longer exist. So great was the progress made by American shipping that there was little occasion for complaint through the period from 1818 to 1840. Early in the 1840's, however, the struggle was resumed in a new form, not by conflicting legislative acts imposing discriminating duties or tonnage taxes or other inequality on the vessels or their products, but in the principle of Government aid. Through the period mentioned, which was a period of wooden vessels, America had all the advantage over Great Britain in vessel construction, because of her superior forests of splendid material. But the introduction of iron and steel ships (about 1840) gave Great Britain, with her superior



industrial plants, a great advantage in the construction of metal vessels; and in addition, she introduced ship subsidies, either in the form of postal subventions or otherwise, to which we have before referred. While Congress met the challenge encouragingly by the Act of March 3, 1845, under which the New York-Bremen line and the splendid vessels of the Collins Line between New York and Liverpool were operated, nevertheless, from that time to the enactment of the Shipping Act, 1916, its policy has been vacillating and unencouraging, from the viewpoint of investors in shipping. Notwithstanding this fact, there has been a definite persistence of opinion among our people that an adequate merchant marine is essential to our welfare.

Soon after the inauguration of our European lines under the Act of March 3, 1845, a joint resolution was passed by Congress (May 4, 1848) recommending that a monthly service be established with war vessels of the United States from a port in California to the Sandwich Islands, and Canton, China, for the transport of mails and passengers. The resolution regarded the step as an incentive to private initiative, for it directed that within two years bids should be invited from private individuals to build and operate vessels on these routes.

In 1852 the Legislature of California passed resolutions instructing Senators and requesting Representatives from that State to support a proposed law authorizing additional service between Panama and San Francisco on the alternate weeks then covered by existing contracts with the Pacific Mail Steamship Company.

In the same year (1852) the Committee on Post Of-

fices and Post Roads reported to Congress on memorials which had been presented to Congress by the citizens of Baltimore, asking for the establishment of steamship lines between Baltimore and Great Britain via Norfolk. Congressional support was asked also for proposed lines from Baltimore and Norfolk to St. Thomas and Barbados, in the East Indies, and Para, Pernambuco, Rio de Janeiro and Montevideo in South America. The same Committee dealt with the memorial to Congress from citizens of New York asking the establishment of a monthly line of steamships between New York and Genoa. This Committee seemed somewhat adverse to postal subventions, for it declined to recommend the establishment of additional lines to Europe on the ground that it was not the business of the Government to establish ocean mail lines merely to furnish channels for migration or trade, irrespective of the postal wants of the country, and solely for the purpose of encouraging individual enterprise. They claimed there is a point beyond which the Government should not go in regard to mail lines, and that point is precisely where, the mail service being ample for all the reasonable wants of the community, there no longer remains a sufficient inducement to incur additional expense unattended by pecuniary return. The establishment of a line to South America, however, was recommended.

Notwithstanding its somewhat adverse report on the increase of American lines to Europe, the Committee emphasized the importance of steam navigation, pointing out the rapid progress made by England in this respect, and mentioning that England then had about

300 war and mail steamers, whereas the United States had only 40.

The period between 1852 and 1859 was rather turbulent in its relation to the merchant marine, for the policy of Congress became very uncertain, and finally culminated (1858) in the abolition of subsidies to the European lines. Notwithstanding this fact, the same Committee (Post Offices and Post Roads) recommended the co-operation on the part of the United States with the Government of Mexico in the maintenance of a line between New Orleans or Mobile and the Gulf ports of Mexico, for the weekly transportation of mails.

In 1861, several years after the abandonment by the Government of the Collins Line between New York and Liverpool, and a few months prior to the breaking out of the Civil War, the Chamber of Commerce of New York presented a memorial asking that Government aid be granted for the establishment of a line of mail steamers on the Pacific Ocean to the populous cities of the Eastern World.

The memorialists point out how within the past few years they have seen the noble vessels of the United States, which once stood so high in the estimation of the traveler, and which bore to our shores the most costly merchandise, limited to the service of the immigrant, to the carrying of coal, crockery, and iron, and the bulky products of our own soil. They say England gained control of the choice carrying trade by establishing, with the first application of steam to ocean navigation, a system of mail communication with this country, which has never failed of the support neces-

sary to its permanent existence. It is said the vessels first employed gave place to others larger and more powerful and were aided by subsidy after subsidy. After setting forth fully the advantages of an adequate merchant fleet, and of the proposed line, the memorialists "pray that this great step in our country's progress may not be deferred to another day, and the honor of it to another Congress; but that a sufficient subsidy be granted to any company that will undertake to perform the service in question under proper guarantees and conditions."

In 1864 a member of the minority of the Committee on Commerce submitted a report in which the necessity for and justification of Government aid to our merchant marine was urged on Congress. This report claimed that the decay of American tonnage dated from the period when the Collins steamers were withdrawn from the service of the United States, and that the ascendancy of Great Britain over the American Merchant Marine dates from the introduction of steam navigation and subsidies.

In December, 1867, the Legislature of the State of Vermont passed a resolution urging the establishment of a line of subsidized steamships between the United States and Liberia. It is interesting to observe that the recommendation was made soon after the close of the Civil War, when the problem of the negro race and its future was an especially vital one with the people of the United States. In March of the same year, the Legislature of Pennsylvania had passed a similar resolution calling the attention of Congress to the settlements of our colored people on the western coast of

Africa, and urging the establishment of a line between some one of our ports and the republic of Liberia.

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On March 22, 1869, the House of Representatives appointed a select Committee "To inquire into the report at the next session of Congress the causes of the great reduction of American tonnage engaged in the foreign carrying trade, and the great depression of the navigation interests of the country, and also to report what measures are necessary to increase our ocean tonnage, revive our navigation interests, and regain for our country the position it once held among the nations as a great maritime power." On February 17, 1870, the report of this select Committee was submitted to Congress. This report attributes the decline of the American merchant marine to special causes incident mainly to war. It mentions that not only were 1,000,000 tons of shipping either destroyed or transferred to foreign flags, but, from the viewpoint of the shipper, the risk to which American flag vessels were exposed during the war period was so great as to divert the greater part of American shipping to foreign bottoms. It further mentions that to the disastrous effects of the war had been added the burden of high taxation, and the shipping interests having such a handicap were not able to compete with their comparatively untaxed foreign rivals. The Committee urged upon the Congress the proposition that it was impossible to revive the shipping interests of the country without Government aid. Among the specific recommendations submitted was one urging Congress to grant such aid by way of

postal subventions and subsidies as would insure the establishment of lines of American ocean steamers to the principal foreign ports of the world. Fifty years after the making of that report, during which period the Government had entirely ignored the recommendation, Congress enacted, on June 5, 1920, the Merchant Marine Act, containing an express provision (Sec. 7) directing the Shipping Board to attain the very end mentioned. That section provides that "the Board is authorized and directed to investigate and determine as promptly as possible after the enactment of this Act and from time to time thereafter what steamship lines should be established and put in operation from ports in the United States or any Territory, District, or possession thereof to such world and domestic markets as in its judgment are desirable for the promotion, development, expansion and maintenance of the foreign and coastwise trade of the United States and an adequate postal service, and to determine the type, size, speed, and other requirements of the vessels to be employed upon such lines and the frequency and regularity of their sailings, with a view to furnishing adequate, regular, certain, and permanent service." It was the effort to attain this end which caused an operating deficit of many millions of dollars a year in the operations of the United States Shipping Board; a deficit which is due largely to the present depressed condition of shipping, the world over.

In 1871 the Chamber of Commerce of San Francisco presented a memorial to Congress asking the establishment of an ocean mail line between the United States and Australia, and in the same month other citizens of

the United States by a memorial to Congress sought to revive interest on the part of that body in the maintenance of lines between the United States and Europe. This last mentioned group offered to invest \$10,000,000 in a line of first-class iron steamships for European trade, provided the Government would aid them to the extent of \$300,000 per annum for a semi-monthly service, \$600,000 per annum for a weekly service, or \$900,000 for a semi-weekly service.

In 1872 the National Board of Trade of the United States presented a memorial to Congress urging legislation which would restore American shipping to the high seas. This memorial urged legislation which would permit citizens of the United States to purchase ships abroad for registration under the American flag, and also to provide for the return to American registry of any tonnage which had been transferred during the war to foreign flags. In contrast with this Act of the National Board of Trade, however, must be noted the action of the Philadelphia Board of Trade on April 23, 1872, protesting against any law which would permit the unrestricted purchase of foreign-built vessels as against the interests of American shipping and commerce. The memorial pointed out the value and necessity of a virile shipbuilding industry in the United States, and argued that the domestic industry would be destroyed by a policy of purchasing ships built abroad. As a substitute, the memorial of the Philadelphia Board of Trade urged the adoption of the proposal of a subsidy to American vessels.

In the same year (1872) the Legislature of California again passed a resolution urging an increase of

the ocean mail service between San Francisco, Japan and China, and proposed that an annual subsidy of \$1,000,000 be given for that purpose. A few months previous to this resolution, the Committee on Post Offices and Post Roads of the House made a report on a pending bill, having in view the establishment of such service. This report mentions that the President had recommended it and that repeated recommendations for such increased mail service had been made by the Postmaster General. The Committee recommended the passage of the bill and expressed the belief that it was highly important to maintain and control the commerce which the present inadequate line to China had opened. It stated further, that "to see the development and control of the China Trade, with all its combined influences, now within our grasp, pass into foreign hands, would scarcely be viewed in any other light than as a national disaster."

The Senate Committee on Post Offices and Post Roads made a report in 1872 urging the establishment also of an ocean mail service between New York and Mexico. It refers to the heroic efforts of the one steamship line which at that time was attempting to maintain a semi-monthly service between those points, which line was in competition with an English line receiving a subsidy of \$20,000 for each monthly trip, and of a French line receiving \$22,000 for each monthly trip. The Committee urged payment to the American line of a subsidy which in amount was only one-fourth the subsidy received by the other lines, and yet if paid would prevent the abandonment of the American line.



In 1874 the Legislature of California adopted a resolution opposing a further subsidy by the Government to the Pacific Mail Steamship Company. Soon thereafter the Chamber of Commerce of California sought to offset this move of the legislature by passing a resolution which condemned the action of the legislative body, and stated that if Congress should discontinue the mail subventions it would result in the loss to American shipping of a large portion of the oriental trade, and throw it into the hands of subsidized English lines. The resolution pointed out that the refusal of Congress to continue the subsidy was almost tantamount to a surrender of the carrying trade of the Pacific to the English, and would result in the loss of a large portion of the direct trade which then belonged to the port of San Francisco.

A few days after the passage of the resolution of the San Francisco Chamber of Commerce, the Legislature of Pennsylvania, on May 20, 1874, passed a resolution in favor of fostering in every manner the building of American ships by American mechanics and of American materials. It appears that in 1874 Congress was considering the cancellation of contracts with the Pacific Mail Steamship Company for the construction and operation of vessels on the Pacific Ocean, on the ground that the company was in default in the completion of its vessels within the time stipulated. The Pennsylvania resolution opposed strongly the cancellation of the agreement, claiming that the Government would sustain "no loss by the unavoidable delay in building the new ships," and also that non-observance of the contract would result in the commercial

control of the Pacific going to the heavily subsidized lines of England and France; also that it would "seriously cripple, if not break up, the iron shipbuilding industry in the country which, though in its infancy, gives employment to thousands of American mechanics, and consumes millions of pounds of American coal and iron."

It seems from communications of the Solicitor General and the Attorney General of the United States, accompanying a letter from the Postmaster General to Congress dated December 8, 1874, that in the opinion of those officials the Pacific Mail Steamship Company had not violated its contract in not having its two new steamers completed until July, 1874, when they should have been completed October 1, 1873, the delay being explained by the fact that at that time the rolling mills of the United States had no machinery large enough to roll the steel beams required, and that the five months were lost in preparing such new machinery. On the other hand, the Committee on the Judiciary, on February 23, 1875, reported that it did not consider the United States to be under obligation to receive the ships offered by the Pacific Mail Steamship Company nearly a year after they were due. This incident in our shipping history is referred to at this length as reflecting the severity of our attitude, at times, to our shipping interests. It must be conceded, however, that in the case of the Pacific Mail Steamship Company conditions at one time existed which greatly incensed the public and Congress.

The following year (1876) the Pacific Mail Steamship Company asked Congress for additional com-

pensation to justify the substitution of iron ships for the wooden ships then engaged in the China mail service under the Act of February 17, 1865. The company points out that the new ships have greater carrying capacity than the old ones (by 1,000 tons each); that they have a speed of 13 knots, whereas the speed of the wooden side-wheelers is only 9 knots; that a new iron ship consumes only 25 tons of coal per day as against 50 tons per day of a wooden side-wheeler; that the iron ships are safer and the insurance rates lower by one-half; that the line must compete with iron ships under the English flag, and that unless this progressive step is permitted the merchants will give their support to the English line, as it is said the Government itself would do, should it have occasion to send money or valuables to China or Japan.

In a report on pending bills relative to ocean mail service between the United States and Brazil, submitted to Congress on March 1, 1878, it is stated that Europe has 200 steamships running to and from the United States while the United States has less than 15 steamships running across the Atlantic and Pacific Oceans; that the United States pays yearly to foreign ship owners for carrying passengers, goods, and mails, at least \$50,000,000; that 20 years ago we spent for shipbuilding \$25,000,000 per annum, and now we spend about \$11,000,000; and that tonnage in our foreign trade has doubled and our shipbuilding has been reduced one-half. It is said there is not a steamship line between the United States and Brazil—not even a foreign owned one,—but there are 9 regularly established lines between Europe and Brazil, each of which

is generously paid for carrying the mails semi-monthly, and all the vessels employed are first class and of over 3,000 tons burden. The bill proposed two lines to Rio—one from New York, the other from New Orleans—each to run monthly, making semi-monthly service, the maximum payments to be \$30 per mile per annum for each line, and the contract to be for 10 years. It is specified that the vessels must be of 3,000 tons burden, iron, American built and owned, first class in every respect, and of a speed of 13 knots.

In 1878, the question of adequate service between the United States and Mexico was again up for discussion in Congress, and the Committee on Post Offices and Post Roads on May 27th of that year recommended mail subventions to maintain a line between Galveston and Vera Cruz at a cost not to exceed \$2,000 per round trip.

On January 15, 1879, resolutions which had been adopted by the Chicago Convention for the promotion of commerce were referred to the Committee on Commerce. One point emphasized was: "Resolved, That direct trade with countries lying south of us, which is desired by them and will be most profitable to us, cannot be entered upon or conducted successfully without the mail facilities which it is the province of the Government to furnish, and we therefore recommend the immediate provision by Congress of ocean mail service between the chief ports of the United States and all important commercial points on the coast of South America, in American built and owned ships of not less than 2,500 tons burden."

In 1881 the Committee on Commerce of the House of Representatives, in a report to the House, emphasized the fact that the reluctance to invest in American shipping had been due largely to the zeal and magnitude of the development of our western territory, but that "our financial condition no longer debars us from the attainment" of a proper merchant marine. It further emphasizes that no country can expect to maintain itself as a first class nation without giving due attention to the training of its citizens as seamen, and further, that no country would be prudent or wise that, having foreign trade, would leave its transportation largely in the hands of other nations. It then dealt with a number of matters pertaining to shipping, and made recommendations to Congress with reference to these, including in the enumeration the proposal to admit foreign built ships to our registry. Although the advocates of "free ships" had pointed out that iron ships were built cheaper in England than in America, and that prohibition on Americans by our laws from buying and selling foreign vessels under the American flag "gives the foreigner an advantage which cannot be overcome without the repeal of these laws," the Committee believed that the principle of "protection" which has been supported by so large a percentage of our citizens as the great constructive force in the promotion of American manufacturing industries, if justified for industries generally, is more than justified when applied to shipyards. The existence of proper yards for the construction of first class vessels, located in our own territory and under our own control, is not only a great economic asset, but a great na-

tional asset for the country's protection in time of danger.

In 1882 a joint Committee of three Senators and six Representatives was appointed to investigate the causes of the decline of American shipping in foreign commerce. The report of this Committee emphasized the importance of developing the iron shipbuilding industry in the United States and proposed a drawback of customs duties on all shipbuilding material. It also recommended that American vessels should be aided so that they could be operated "under our laws at no higher cost to the owner than English shipowners can sail their vessels under British laws." It was proposed that no restriction be put on the citizenship of members of the crew, but that only officers be required to be citizens. The report states: "The English Merchant Marine and English commerce have been greatly aided by the watchful supervision and regulation of the British Board of Trade, whose President is a member of the Cabinet. In the Executive Department of our Government, we have no Board or Bureau with similar duties and powers and no one who is required by law to even keep a watchful eye on the interests of our shipping except for purposes of collecting revenue." The report recommended that a body of this kind be created in our Executive Department. It further stated on the same subject: "Up to 1854 the English laws relating to shipping were substantially the same as ours. At that time the English Parliament began a complete revision of her merchant shipping statutes so as to remove every obstacle which gave favors to British shipping. From year to year, as the

Board of Trade has recommended, England has been legislating in the interest of her merchant marine. During this period nothing has been done by the American Congress to meet England in this direction."

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The report of a Committee on American shipbuilding and shipowning interests, accompanying House Report 363 of the Forty-Eighth Congress, February 12, 1884, relative to proposed ocean mail service between the United States and foreign countries, complained of the manner in which the Postmaster General at times had treated the mail contract vessels by detaining them, and by constraining them to deliver the mails when the pay received for carrying them did not even reimburse for the detention and cartage at the port of destination.

The administration of the Post Office Department has shown great sympathy with the development of our merchant marine, and has made a substantial contribution to its upkeep by exercising its power under existing law to pay to American vessels transporting mail a pound rate in excess of the payment which has to be made to foreign vessels for the same service under the rules of the International Postal Union. The Department now pays vessels documented under the laws of the United States eighty cents per pound for carrying letters and post cards, and eight cents per pound for carrying other mail matter, whereas the payment made to vessels under foreign flags for precisely the same service is thirty-five cents per pound for letters and post cards and four and one-half cents per pound for other matter. This difference in amount

constitutes a substantial help to American vessels. The Department further encourages our vessels by giving them the preference to the extent of twenty-four hours in all cases, and of forty-eight hours if carrying a mail agent on board. By preference is meant: if an American vessel is sailing to the same destination on the same day as a foreign vessel, the former will receive the mail even though arriving at the destination one day later. The preference of two days applicable when a mail agent is on board is allowed on the theory that more than that amount of time is saved by having the letters assorted, etc., in transit. This preference in point of time is also applied though the American vessel is not sailing the same day. If it is a vessel of equal speed and is sailing one or two days later, as the case may be, the mail is held for it, the test of the period of this favorable discrimination in point of time being applied by comparison of the arrivals of the American and foreign vessels, respectively, at destination.

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The select Committee of American shipbuilding and shipowning interests having recommended that citizens be authorized to purchase foreign built ships for use in the foreign carrying trade, Congress was advised (March 8, 1884), in a report by Representative Dingley, to reject the measure. The Dingley report takes the attitude that if the foreign built vessels were admitted to foreign trade under the American flag, it would be only a short time before they were admitted to the coast-wise trade as well. As illustrating the importance of protecting the domestic shipyards, the



report says: "What would have been the result of the appearance of the Confederate ironclad 'Merrimac' in Northern waters if the Government of the United States had been obliged to send to England to have an ironclad built to cope with her?"

In 1889 a bill was introduced in the Fiftieth Congress which proposed a subsidy of thirty cents per registered ton for each thousand miles traveled by an American vessel between this and any foreign country. A similar bill introduced in the preceding Congress had been referred to the select Committee of American shipbuilding and shipowning interests, and had been reported on adversely. The report on the earlier bill estimated that over six million dollars would be required to pay the bounty or subsidy for one year on the sail and steam vessels of the United States. The report mentions that the Treasury and the State Departments made adverse reports on the proposition, on the ground that what one nation might do probably would be met by similar action on the part of competing nations, and the advantage to the nation taking the initiative would thus be nullified. This attitude ignores wholly the facts of history. Had other nations proceeded on this theory, on the assumption that the United States would match their efforts in this field, they too would have continued inert. They were willing to take their chances that the United States would not do likewise, and such, thus far, has proved to be the fact. With these adverse influences at work, the Fiftieth Congress rejected the measure.

The attitude of the Committee on Merchant Marine and Fisheries of the Fifty-First Congress was more

favorable to the merchant marine. A report of that Committee (1890) refers to the fact that the subsidized steam postal systems of Great Britain "had always been sustained as the very best means of grasping the control of trade and ruling the commercial world." It points out that in the United States a system of discriminating dues and duties "was the resource of statesmanship which originally built up the American marine." After referring to the fact that this method was no longer available under existing treaty rights, nothing remained but to apply the "European way" and accept the principle of a bounty or subsidy. The Committee recommended this course, and reported a bill under which would be paid to all American vessels, sail or steam, of more than five hundred tons gross registry, registered in the United States and wholly owned by citizens of the United States, engaged in foreign trade between the ports of the United States and foreign ports, the sum of fifteen cents per gross ton for the first five hundred miles or fraction thereof, and thirty cents per gross ton for each thousand miles after the first thousand miles. The vessel must carry cargo to the extent of at least twenty-five per cent of her net registered tonnage. The bill did not pass. It showed the growth of sentiment, however, and was the forerunner of the Ocean Mail Act of 1891, to which we have referred at length elsewhere.

In 1893 a report of the Committee on Merchant Marine and Fisheries, then under Democratic control, recommended the passage of a bill (H. R. 2655, Fifty-Third Congress) which provided for the free

admission to American registry of ships built in foreign countries.

The Committee on Commerce of the United States Senate, in a report submitted May 23, 1898, urged that the Government "compel a better adherence to the established policy of the Government for one hundred years, prohibiting foreign built vessels from taking part in the American coastwise trade to the injury of American built vessels in that trade, and to American shipyards." The report recommended the passage of a bill having that end in view. It further states, that, "In order to get an American enrollment and admission to the coastwise trade, foreign vessels are often wrecked in our waters for that purpose alone. In the last eleven years there have been admitted seventy-one thousand gross tons of wrecked vessels to American registry." This reference to wrecked vessels arises from a provision of law that a foreign built wrecked vessel, repaired and made fit for service in an American yard, was admitted either to registry or enrollment, and thereby became eligible to the coastwise trade. The pending bill, the passage of which was recommended, proposed limiting such vessels thus repaired to registry only, and therefore only to our foreign trade.

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A bill for the payment of subsidies to American shipping was introduced in the United States Senate by Marcus A. Hanna on December 19, 1898 (S. 5024). Its purpose was "to promote the commerce and increase the foreign trade of the United States and to

provide auxiliary cruisers, transports and seamen for Government use when necessary." The Bill provided that the Secretary of the Treasury could make contracts with citizens who were owners of vessels documented under the laws of the United States and registered in foreign trade, for payments through a period of 20 years, of  $1\frac{1}{2}$  cents per gross ton for each 100 nautical miles, not exceeding 1,500 nautical miles sailed outward bound, and  $1\frac{1}{2}$  cents per gross ton for each 100 miles not exceeding 1,400 nautical miles sailed homeward bound, and 1 cent per gross ton for each additional 100 miles in excess of that expressly mentioned. The compensation was limited however to 16 entries in any one year. Steam vessels suitable for carrying mails and for service as auxiliaries to the forces of the United States in time of war or other needs, were to receive additional payment on each 100 nautical miles sailed, varying according to the speed of the vessel. The supplemental payments increased as the speed increased, and varied also according to the size of the vessel. The highest speed provided for in the Hanna Bill was for a vessel of over 10,000 gross tons with a speed of 22 knots, but less than 23 knots. Such a vessel under that bill would have received as subsidy a total of 4.2 cents per gross ton for each 100 nautical miles.

The provision of the bill now pending in Congress for a vessel of 22 knots or over but less than 23 knots is 2.3 cents per gross ton for each 100 miles. The present proposal, therefore, is at a rate substantially less than the earlier bill, notwithstanding the very much higher cost of operation at the present time. The

present bill, however, provides for certain indirect aids, to which we have elsewhere referred, which were not covered by the Hanna Bill. It will be observed the Hanna Bill considered the unit elements of size and of speed as the basis of the computation. The bill of the United States Shipping Board proposes the same basis of computation. In 1899 the Committee on Commerce of the Senate recommended the passage of the Hanna Bill.

In February, 1900, Senator Frye of the Committee on Commerce reported favorably on a bill then pending in the Senate (S. 727), and commented on the fact that discriminating duties could no longer be employed because of existing treaties, adding furthermore, that to abrogate the treaty provisions "would involve radical changes in our trade relations with the world, which in the main are now satisfactory." The report stated that a subsidy of about 1 cent per gross ton per hundred miles was necessary, as being on the "average the present difference between the cost of operating a steamship built in the United States and navigated under the laws of the United States, and the cost of operating a steamship built in Great Britain and navigated under British laws." The rate of compensation would also have been graded according to speed of vessels. The bill imposed as a condition for compensation that the owner must build in the United States new tonnage equivalent to at least 25 per cent of his tonnage existing at the time.

In 1902 another bill was discussed in the United States Senate. Senator Frye of Maine, who at all times proved himself a great friend of the American

Merchant Marine, was its main champion. It had in view the development of vessels of a higher type than contemplated under the Ocean Mail Act of 1891. Its provisions carefully guarded the use of such vessels for national defense as obligatory on the owners. On the other hand it authorized contracts for the payment of subsidies for a maximum period of 15 years. The vessels would have been required to transport the mails free, and to comply with any requirements of the Government in the employment and training of men of American allegiance. Perpetual incorporation of the vessel in the American Merchant Marine was required; and its use for the national defense or for any public purpose at any time, at a value to be fixed by arbitration, was provided.

In 1905 a similar bill (H. R. 17098) was pending in the House of Representatives, and was reported favorably without amendments by the House Committee on Merchant Marine and Fisheries. Its purpose was "to promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage." An almost identical bill, commonly known as the Gallinger Bill, was pending at the time in the Senate (S. 6291). The highest compensation possible under this bill was \$5 per gross registered ton for vessels owned by a citizen of the United States and documented under the laws of the United States, and engaged in foreign trade by sea or in the deep sea fisheries throughout the whole year, but including, of course, reasonable time consumed in port. The minimum compensation provided was \$2.50

per gross ton for a vessel engaged in such service for six months. Provision was made for a pro rata reduction if the vessel was idle for more than one month when not undergoing repairs. It was provided that the vessel could be taken and used by the United States for the national defense or any public purpose; that it should carry the mails free as required; that at least one-sixth of the crew must be citizens or those who had declared their intention to be citizens; that the repairs, when possible, should be made in the United States; and that a certain proportion of the crew should have been enrolled in the naval volunteers, if practicable. The contract period was limited to ten years.

On January 23, 1907, Theodore Roosevelt, then President of the United States, sent a message to Congress calling attention to the great desirability of enacting legislation to help American shipping and American trade by encouraging the building and running of lines of large and swift steamers to South America and the Orient. He mentions that during the year ended June 30, 1905, there entered the port of Rio de Janeiro over 3,000 steamers and sailing vessels from Europe, but from the United States no steamers and only 7 sailing vessels, two of which entered because they were in distress! He stated that commercial competitors were said to pay some \$25,000,000 a year as subsidies to steamship lines, and he then emphasized that since the United States could not afford to have the wages and manner of life of our seamen cut down, the only alternative was to offset the expense of this protection of our seamen by giving aid to the ship itself. A bill was presented which proposed the build-

ing of 14 steamers of large size, and of 16 knots speed. These steamers were to be subsidized to the extent of over \$1,500,000, and were to run from the Atlantic Coast to South America. The bill also proposed the building of 22 additional steamers, subsidized to the extent of \$2,250,000, to run from the Pacific Coast to South America, Manila, Australia and Asia. The President pointed out that while the vessels would operate direct from the coasts, nevertheless the cargoes would be furnished chiefly by the interior of the United States, and therefore the subsidized lines would prove as great a benefit to the Mississippi Valley as to the seaboard.

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In January, 1905, Congress received the report of a special Commission consisting of five Senators and five Representatives, of which Senator Jacob H. Gallinger, of New Hampshire, was Chairman, which Commission had been created for the purpose of investigating and reporting to the Congress at its next session what legislation was desirable and necessary for the development of the American Merchant Marine and American commerce, including, of course, the transportation of the mails. This Commission had held public hearings at a number of cities throughout the United States. It was the most comprehensive inquiry that had ever been undertaken on the subject of the merchant marine. The testimony compiled at the various ports covered about 1,900 printed pages. Although the report did not receive favorable action by Congress, it is a landmark, nevertheless, in United States marine history.



In February, 1908, another Gallinger Bill, accompanied by an able report, was up for consideration in Congress. Among the subjects discussed at great length in the report are: Ocean mail policy of the nations; mail steamships as naval auxiliaries; the army's need of ships as transports; ship materials already free; the "free ship" question; a foreign steamship trust monopoly; American ships for American commerce; Southern advocates of ocean mail lines; profits of foreign steamship companies; discriminating duties; tonnage taxes; comparisons of wages. The recommendation is against discriminating duties, for several reasons, but mainly because nearly 50 per cent of the imports measured in value, and 60 to 70 per cent measured in bulk, were on the free list.

In February, 1911, the Committee on the Merchant Marine and Fisheries of the House of Representatives reported favorably a bill then pending (H. R. 32127), as amended by them. The purpose of this bill was to encourage the development of the American Merchant Marine and to promote commerce and the national defense. This bill provided separately for a fine type of merchant vessel capable of serving as naval auxiliaries and in the national defense, and as cargo carriers for commerce. The aid proposed for vessels intended especially as naval auxiliaries when not engaged in commerce was in the form of the payment of interest on the original investment in the vessels. Twenty years for the payment of such interest was contemplated; ten per cent annually through the first ten years of the life of the vessel, and four per cent through the second ten years. The aid proposed for

ordinary cargo carriers was in the form of discriminating duties. It was provided that immigrants traveling in American vessels would be exempt from the head tax of \$4, and that the Treasury would return to the vessel its Panama Canal tolls.

## CHAPTER XIII

### THE UNITED STATES SHIPPING BOARD

THE United States Shipping Board was created by an act of Congress, approved September 7, 1916. The original act provided for a Board of five members, who selected their own Chairman. By the Merchant Marine Act, 1920, which went into effect June 5, 1920, the membership of the Board was increased to seven, the President designating the Chairman.

The first appointment of Commissioners, under the original Act, was made by the President on December 22, 1916; but the Board was not formally organized until January 30, 1917.

Although it was the intent of these laws that the Chairman and the Commissioners should serve for terms of six years each, after the initial appointment, the chairmanship of the Board has been subjected to frequent changes during the six years that have intervened since its organization. Mr. William Denman, the first of the five Chairmen who have served, was appointed January 19, 1917. Mr. Denman resigned on July 24th of that year, and Mr. Edward N. Hurley was appointed, the Senate confirming his appointment on July 25, 1917. Mr. Hurley resigned on July 31, 1919, and was succeeded by Mr. John Barton Payne, who served from August 5, 1919, until his resignation

on March 13, 1920. The appointment of Admiral William S. Benson became effective March 13, 1920.

During the period of Admiral Benson's chairmanship the Merchant Marine Act, 1920, was enacted, providing for an entirely new Board of seven members; and also that the Chairman be named by the President. The terms of the Commissioners previously appointed expired with the approval of the new Act. Nominations for the new Board were soon thereafter submitted by President Wilson to the Senate, but had not received the Senate's approval by March 4, 1921, on which date the term of the 66th Congress expired. As the power of the Commissioners under their recess appointment was doubtful, their resignations were handed President Harding on March 4, 1921. President Wilson having appointed Admiral Benson Chairman, President Harding on March 11, 1921, requested Admiral Benson to continue exercising the functions of the Board pending the President's selection and nomination of a new Board.

In June, 1921, the President nominated and the Senate confirmed the new Board, constituted as follows: Albert D. Lasker of Illinois, Chairman, appointed for the full term of six years; Thomas V. O'Connor of New York, appointed for five years; George E. Chamberlain of Oregon, appointed for four years; Edward C. Plummer of Maine, appointed for three years; Frederick I. Thompson of Alabama, appointed for two years; Meyer Lissner of California, appointed for an initial term of one year, and re-appointed in June, 1922, for a full term of six years; William S. Benson, Rear Admiral, Retired, U. S. N.,

appointed for an initial term of one year, and also reappointed in June, 1922, for a full term of six years.

The duties of the Board are divisible into two very general classes. One of these classes relates to tasks which in time will be completed. The other class is a permanent group of duties, which includes functions incident to a merchant marine which must permanently be exercised by some agency of Government, so long as we have a merchant marine under the American flag.

Among the temporary tasks are the extended duties involved in the liquidation of claims based on the construction work of shipyards and ships, and in relation to the disposal of the large fleet acquired by the Government as a result of the war.

After the entrance of the United States into the war, additions were made to the fleet by seizing 97 enemy vessels, by commandeering 87 Dutch vessels which were in United States ports, by requisitioning all private American vessels of 2,500 tons gross or over if adapted to ocean service, and by chartering and purchasing vessels from foreign countries. The number of enemy vessels coming under the Board's control was increased later to 106, through acquisition of ships from the ports of South America and other countries hostile to Germany. Before the close of the war the Board had requisitioned or purchased 599 United States vessels, including the best in the coastwise service; this is exclusive of the vessels constructed for government account.

In order to have, first, complete unity of control over the distribution of shipping, so that war needs could be filled in the order of their importance; and

second, just and effective regulation of rates, so that the nations at war with Germany would not be financially exhausted by extortionate transportation charges, the Government exercised full control over the great fleet thus assembled, and whose number was ever increasing as new vessels were completed. The operation of the American vessels which were taken over was done largely through the companies from which they were taken, but under Government orders and for Government account; and many other vessels requisitioned were allocated to private companies for operation, on the same basis.

The necessity for a centralized control of the movements of vessels in time of war is obvious. It is not so obvious that the actual operation of vessels by the Government for its own account is desirable; however, this too became vitally necessary because the loss of tonnage through the devastations of the submarine, and other causes, resulted in unreasonable and extortionate freight rates. American merchants, and therefore American consumers, were victims of this condition even before our entry into the war, because so few vessels engaged in our foreign commerce were under the American flag. The prevailing rates of ocean freight a few months after our entry into the war were thirteen times greater than normal rates in the spring of 1914, for transportation outside the war zones; and for transportation through the war zones they were twenty times more.

A very substantial increase of rates was of course justified, because of the great increase in the cost of operation. Supplies had advanced greatly in price and

seamen received special war bonuses for the extra peril to which they were exposed. The danger of the loss of the vessel itself also justified a higher return on the capital invested. Nevertheless, these factors did not justify the unreasonable heights which rates attained. The Government assumed operation for its own protection and for the protection of our allies in the war. It fixed rates at a level substantially higher than normal rates in time of peace, yet under all the circumstances approximately fair to all.

Notwithstanding the control thus exercised, the value of ships increased fivefold and more, between 1914 and 1919. Many fortunes were made in the sale and resale of vessels; these were reduced, however, to a very great extent through the war-profits and excess-profits taxes payable to the Government, under the Revenue Act of 1918.

#### THE EMERGENCY FLEET CORPORATION

To more effectively bring the vessels acquired under the direct operation of the Government, and to have an instrument for supervising its program of construction, as well as administering other of the temporary functions of the Board, the Shipping Board in April, 1917, created the Emergency Fleet Corporation, with a capital of \$50,000,000, pursuant to the power given it by the Shipping Act, 1916. All the stock of this Corporation has at all times been owned by the United States Government.

In so far as the Emergency Fleet Corporation operated with the proceeds of its capital stock, it was

discharging functions similar to, if not identical with, those of any private corporation, for the decisions of the Supreme Court have so held. But its main functions, and by far the greater part of its operations, were not in its own right, but as an agency of the United States Government, supervised through the United States Shipping Board. In its expenditure therefore of several billion dollars in the construction of ships, the assets resulting are assets of the United States, not of the Corporation.

#### THE VESSELS CONSTRUCTED

This Corporation engaged in probably the greatest construction task ever attempted by a single organization. It developed within a period of six months a large force of employees, including a large number of technical experts, many of whom left remunerative occupations to assist in this vital enterprise.

The development of Hog Island, near Philadelphia, Pennsylvania, from waste land to a great industrial enterprise for war production, is one of the marvels of American enterprise. The Government contract for shipbuilding there was entered into September 13, 1917, and construction of the yard was begun seven days later. On February 12, 1918, the first keel was laid; on August 5, 1918, the first ship was launched. Production at this yard was completed on January 29, 1921, when the one hundred twenty-second ship was delivered; the total deadweight tonnage constructed in this yard having been 956,750. The Hog



Island ships were in the main, well constructed; they have very high ratings at Lloyd's and by the American Bureau of Shipping. The fifty ways there during war construction constituted the largest shipbuilding plant in the world, and an asset of the greatest value to the allied cause. They have since been dismantled.

Every effort was made to standardize designs for steel ships. This made possible more speed in construction, and the success of the plan is shown by the fact that 1,308 contract steel vessels, with a total deadweight tonnage of 8,918,295, were delivered. The 384 requisitioned steel vessels made a total fleet of 1,692 steel ships, with a deadweight tonnage of 11,605,561. The keel of the first contract steel vessel was laid on July 29, 1917. The first launching occurred on November 24, 1917, and the first delivery was made on January 5, 1918.

Contracts were placed for a large number of wooden ships, most of them to be built in new yards. It was believed that a limited amount of such construction could be carried on without interfering with the steel ship program. The Corporation experienced some difficulty in arranging for supplies of proper lumber; but this difficulty was largely overcome, and a number of wooden vessels were completed, with a fair degree of promptness. The keel of the first contract wood vessel was laid on May 15, 1917. The first launching occurred on December 1, 1917, and the first delivery was made on May 24, 1918. The original wood-ship program of 1,017 vessels was subsequently reduced to 589. Construction was ended early in 1921.

Eighteen composite vessels, having a total dead-

weight tonnage of 63,000, were completed. The original program called for fifty of these vessels. Composite-ship construction, however, proved costly and the vessels were altogether unsatisfactory, so the program was finally abandoned.

When the United States entered the war there were 42 ship-yards with 154 ways for steel ships, and 23 yards with 102 ways for wood ships, counting only those yards having one or more ways for vessels of 3,000 tons or more. About 75 per cent of the ways in the yards for steel vessels were constructing vessels for the Navy, and many of the yards constructing wooden vessels were unfit for modern shipbuilding purposes. In order to procure ships it was necessary therefore to expand existing yards and to build new ones. There were on November 1, 1918, 198 yards which had contracts for the construction of vessels for the Emergency Fleet Corporation. These yards had a total of 1,083 ways, completed or in construction, of which 939 were for Emergency Fleet Corporation work and 144 for the Navy or private work. Up to September 1, 1918, the Fleet Corporation had contracted for the investment of \$150,000,000 in shipyards executing its orders for vessels.

Immediately after the signing of the armistice, construction activities were curtailed as rapidly as the physical condition of the building program and the financial interests of the Government permitted. Suspension of work under existing contracts was ordered, and a careful examination of the status of each suspended contract made. In those cases where a contract could be cancelled at less cost to the Government

than the difference between the cost of completing the vessel and the probable market value of the vessel if completed, cancellation was made; otherwise, the vessel was completed. The program of construction was finished on May 9, 1922.

In the eight months following the cessation of active warfare, 3,192,833 deadweight tons of shipping were delivered to the Corporation, exceeding by 500,000 tons the deliveries by construction prior to November, 1918. On June 30, 1919, the tonnage under the control of the Shipping Board consisted approximately of 961 vessels, with an aggregate of 5,346,939 deadweight tons.

On June 30, 1920, the Shipping Board owned 1,574 vessels, with a deadweight tonnage of 9,358,421. One year later the number of vessels owned and controlled by the Board had increased to 1,740 (exclusive of 52 tugs), aggregating 11,323,668 tons. The total number of vessels delivered from the beginning to June 30, 1922, was 2,311, aggregating 13,627,311 deadweight tons.

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During the war period, when the zeal of all was centered in the building of a "bridge of ships" across the Atlantic Ocean, thought was given chiefly to the construction of vessels of reasonable safety and speed to attain the end, without reference to the encouragement of the most modern types and kinds. With the close of the war period it was possible to give attention to the best forms of modern machinery and equipment, including the possibilities of the Diesel engine, an internal combustion engine which of course makes

possible the elimination of boilers and reserved space for bunker coal. It has an economic advantage of the highest order. To test the type, the Shipping Board ordered the equipment of one of its new vessels, the "William Penn" (12,500 d.w.t.) with Diesel motors, and the result has been eminently satisfactory. This vessel completed a voyage of 26,000 miles, in April, 1922, on which no repairs were required by shore forces, the engines functioned without difficulty of any description, the fuel consumption was low, good speed was maintained and the reliability and efficiency of the Diesel engine fully demonstrated. She was the first large American vessel fitted with this type of propulsive equipment.

#### PERSONNEL

In the last analysis it is man-power that produces ships. The mobilization of a large, competent, trained and willing force of workers for the shipyards of the country became a very important part of this work, and an Industrial Service Department was organized for administrative purposes. The problem was threefold: first, getting men; second, keeping men; and third, fitting men for their respective tasks.

Nearly half a million men acquired shipbuilding experience in the United States by virtue of the construction program of the Emergency Fleet Corporation. It is estimated that the maximum number employed in the yards at any one time was 385,000. A supervising personnel of 8,273 directed the labors of this great army of construction.

A recruiting service was established on June 1, 1917, for the training of deck officers, engineers and seamen, and by October 31, 1917, more than 600 men graduated from the navigation classes, and more than 400 from engineering schools. Of the 6,261 graduates in all, from the navigation and engineering schools to November 9, 1918, as many as 3,164 had received officers' licenses. There were 14,712 graduates from these schools to June 30, 1921, 6,669 of whom were from the navigation schools and 4,163 from the engineering schools. Seventy-four per cent of these graduates were licensed.

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In order to provide living quarters for the shipbuilders, authority was granted to the Board early in the war to construct dwelling houses for people employed in shipyards; and to provide transportation facilities to and from shipyards.

Housing projects were conducted at Bath, Me.; Portsmouth, N. H.; Groton, Conn.; Newburgh, N. Y.; Port Jefferson, N. Y.; Harriman, Pa.; Camden, N. J.; Brooklawn, N. J.; Philadelphia, Pa.; Essington, Pa.; Chester, Pa.; Wilmington, Del.; St. Helena, Md.; Dundalk, Md.; Newport News, Va.; South Jacksonville, Fla.; Lorain, O.; Wyandotte, Mich.; Manitowoc, Wis.; Clyde, Calif., and Vancouver, Wash. The total investment made by the Board in these projects approximated \$68,000,000. As the investment was represented chiefly in real estate, a higher percentage of the initial cost should be realized on liquidation than from any other war asset.

## OPERATION OF VESSELS

The Board had an important part in the transportation of troops to Europe. From May, 1917, to November 1, 1918, there were transported in United States vessels 888,687 troops, or 43.7 per cent of the total American Expeditionary Forces. British ships carried 1,095,258 of our soldiers, or 53.9 per cent of the total; French ships aided to the extent of 44,311 soldiers, or 2.2 per cent; while Italy provided space for 4,667 men, or .2 per cent of the total.

In bringing back 2,052,989 men from the war zone, between the signing of the armistice and January 21, 1922, American vessels carried 1,762,021, or 86 per cent of the total, while British vessels carried 7 per cent, French 2 per cent, Italian 3 per cent, and miscellaneous flags 2 per cent.

The military program of the War and Navy Departments controlled in a large degree the shipbuilding policy of the Board and the allocation of vessels to particular uses. Numerous transports were turned over to the Army, and a large fleet was operated by the Shipping Control Committee, in carrying supplies for our army abroad.

Merchant vessels desired for Navy use were turned over to that Department on a bare-boat charter basis by the Board. Vessels thus turned over, being under naval control, were manned by naval complements throughout; while all vessels under control of the Shipping Board retained their character of merchantmen, and carried civilian crews. These crews consisted

of a given ratio of experienced mariners, supplemented by recruits trained by the Shipping Board Recruiting Service.

After the end of the War, in order to develop organizations capable of handling the vast business of the great American Merchant Marine, the Board encouraged private enterprise by assigning tonnage to persons in a position to handle vessels and in whom the Board had confidence, rather than needlessly extend governmental agencies to do the work. For practical purposes these assignments were divided into two classes: those made to managers, whose duties in relation to the ships were practically the same as those of owners; and those made to operators, whose duties in relation to the ships corresponded to those of a charterer. Both managers and operators acted only as agents for the Shipping Board.

The inability of the Board to furnish sufficient tonnage to handle the large amount of cargo offering in early 1919 was due to the utilization of tonnage in relieving the desperate fuel situation in Italy and Northern European countries; and in meeting the requirement for the transport of food and other supplies for the relief of Europe.

With the release of tonnage from war and relief work, vessels were assigned first to the principal trade routes. As these and secondary routes were supplied, services were established on which the American flag had previously been almost unknown. On June 30, 1920, there had been established 209 general cargo berths. Seven of these were in indirect trade, that is, from one foreign port to another foreign port; and

202 were either in direct trade, that is, trade between the United States and foreign ports, or in coastwise activities. By June 30, 1921, the number of the services had been practically doubled.

After the signing of the armistice, the natural trend of the freight market in time rendered the control over maximum rates less essential. The situation in some degree was reversed, for the difficulty which the Shipping Board faced was to maintain reasonable rates fairly compensatory for the services rendered. The depression in rates was in time reflected in the withdrawal of tonnage from the competitive market.

The first report that steel freighters were idle in United States ports was in July, 1920. In September it became advisable to withdraw from service a number of steamers which were unprofitable. The first steamers withdrawn were of approximately 4,000 dead-weight tons; but gradually the size increased, until there were freight steamers of every type and size tied up.

The idleness of Shipping Board tonnage reflected trade depression throughout the world. On March 1, 1922, about three-fourths of the Board's vessels of 1,000 gross tons and over (excluding tankers) were idle. At first, very few only of the privately owned United States vessels were inactive; it was of course proper that the publicly-owned vessels should first have been withdrawn. The depression in ocean traffic, however, became so great that later many privately owned vessels were laid up.

The effect of the shipbuilding program upon Amer-



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ican shipping is shown in the increased share of the United States in the transport of our ocean-borne foreign commerce. In 1914 commodities to the value of \$368,359,756 were carried in American vessels; this represented 9.7 per cent of our entire water-borne foreign trade. For the fiscal year ending June 30, 1920, this percentage was increased to 42.7, the value of the commodities transported in American vessels having increased to \$5,071,623,227. During the fiscal year ending June 30, 1921, however, a reaction set in, for the percentage was 39.8, the imports and exports carried in American bottoms having aggregated only \$3,547,647,439. Notwithstanding this reaction, the value of the products now carried annually in United States vessels exceeds the total value of our water-borne foreign trade in 1914, including also that part of it borne that year in foreign vessels.

### THE SALE OF SHIPS

The general policy laid down by the Merchant Marine Act, 1920, was that the Board should operate vessels owned by the Government only until such time as they could be sold to citizens and operated privately, with power in the Board to reserve vessels on routes deemed by it especially desirable to be maintained.

The aim of the Board, therefore, has been to sell ships to substantial, experienced, competent companies, who have a bona fide intention to operate them. With this object in view, a thorough investigation of the financial standing and the business qualifications of

every bidder or prospective purchaser is made. Citizens who purchased in 1919 and 1920 have suffered severely in consequence of the general depression in world shipping and the great depreciation in value which has resulted. The market price of steel tonnage at present (December, 1922) is approximately one-third or less of the market value prevailing in the years mentioned. As many of the purchasers were new corporations created expressly and in good faith to have a part in the development of our foreign commerce and our merchant marine, the shrinkage in trade and in values brought them financial disaster, and many of the vessels sold were taken back for default in payments.

The purchasers of the earlier period are frequently referred to as "pioneer purchasers"; the settlement of their accounts has been complex, as equities are claimed to exist in their favor which entitle them to a revision of the original purchase prices.

The experience of the Board with the sales in fact made to these "pioneer purchasers," answers the contention of many citizens that the Board should have sold more of the government owned vessels before the prices collapsed. It is best that more sales were not made during that early period of high values, not only because a large percentage of such sales would have defaulted, but because citizens whose financial standing would have enabled them to complete their contracts of purchase would have been discouraged by the loss sustained and by the experience generally. Their inclination henceforth would have been to avoid future investments in and operations of merchant vessels. A

great loss on the war-built fleet necessarily had to be absorbed by some one. Apart from the question of contractual obligations under the sales in fact made, it is proper that the government should bear the loss, rather than special groups of our citizens.

A sale of the vessels to foreigners was out of the question. The task imposed on the Board was the up-building of a Merchant Marine under the American flag, not the extension and development of foreign merchant fleets.

We have described above some of the activities of the Board in its relation to its temporary tasks—tasks which have not been completed, and will not be, until the great fleet owned by the Government has been sold conformably with the policy laid down by Congress. That policy has been clearly defined in a preamble to the Merchant Marine Act, 1920, and is as follows: "Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States; and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine, and, in so far as may not

be inconsistent with the express provisions of this Act, the United States Shipping Board shall, in the disposition of vessels and shipping property as hereinafter provided, in the making of rules and regulations, and in the administration of the shipping laws keep always in view this purpose and object as the primary end to be obtained."

This declaration is a statement by the American people, through their national Congress, of their intention concerning a Merchant Marine. It defines a program which imposes limitations in respect to the sale of vessels, as well as defining duties relating to the permanent tasks of the Shipping Board, hence there will always remain a group of permanent duties to be exercised by appropriate agencies of the Government for the regulation, protection and development of the Merchant Marine. At present these duties are chiefly imposed on the United States Shipping Board and include such functions as the following:

The investigation of the relative cost of the construction of merchant vessels in the United States and in foreign countries, and the rules under which vessels are constructed abroad and in the United States and the methods of classifying and rating such vessels. This has in view gathering information which will be of value to shipyards in the United States in their competition with shipyards in foreign countries. The Board is also required to assist in the development of the best and most efficient types of vessels and their equipment with the most modern, the most efficient and the most economical machinery and commercial appliances.

The necessity for the maintenance and development of shipyards, by giving them ample work in the construction of merchant vessels, is emphasized by the results of the Conference on the Limitation of Armament, as the patronage of the Government for the construction of naval vessels will of course be largely lost to private yards, through the ten-year period of the "naval holiday." It is obvious these yards and a staff of skilled workmen capable of building ships are a national asset which must not be lost; should they be, the close of the ten-year period would find the United States lacking in proper facilities to adequately resume the construction of naval vessels.

The Board is also charged with the encouragement and development of the American Bureau of Shipping as a substitute for the substantial monopoly largely enjoyed by "Lloyd's" in relation to the shipping of the world. An independent American organization of this kind is an important factor as a protection to American shipping and to its classification on a fair and impartial basis, for the reputation of vessels with reference to their seaworthiness has of course an influence on the patronage given them and on the cost of marine insurance.

The Board has also been charged with duties having in view the development of strong American marine insurance companies to make American vessels independent of foreign companies and to protect them from unreasonable classifications and rates.

It is also charged with the investigation of discriminations by foreign Governments, officers, merchants or companies against American vessels engaged in foreign

trade, and the study of necessary remedies to effectually protect our vessels against such discriminations.

It is also charged with a study of the navigation laws of the United States, having in view recommendations to Congress for their revision. The coding and revising of these laws is now in progress, and will result in the elimination of some archaic provisions which are handicaps to American vessels.

It has been the duty of the Board to study the financial problems of shipping, having in view making the investment in their loans on the security of American vessels more attractive to the financial world. There has already been enacted a Ship Mortgage Act, which has in view more adequate protection to mortgagees of vessels than that which they received under earlier provisions of law.

The Board also has regulatory duties which involve such matters as the protection of shipping companies in their mutual competitive relations and the protection of shippers against unjust and unfair discriminations and practices by the companies. In these matters the approval of the Board is required for agreements between shipping companies which undertake to regulate transportation rates or fares, or to control, regulate or prevent competition, or in any way to provide for exclusive, preferential or coöperative working arrangements. Such contracts are frequently called "conference agreements." They are not discouraged when they are fair, and are open to all competitors who are willing to comply with their terms, and when they conform to the policies prescribed by law.

These regulatory duties control the relation of com-

panies to shippers. Provision is made for the protection of shippers against retaliation on the part of companies, by refusing space or accommodations for shipments, or by other discriminating or unfair methods. The companies are also forbidden making preferential contracts with one shipper to the prejudice of other similar shippers, based on the volume of freight offered; or in any other way to subject a shipper to unfair discrimination.

A limited control is also given by law in respect to the passenger and freight rates charged by steamship companies engaged in interstate commerce. As a part of this regulation, the companies are required to keep on file with the Board, for public inspection, their maximum rates and charges for transportation, and they are not permitted to make charges in excess of the tariffs thus filed; nor are they in any case permitted to charge unreasonable rates.

Other functions assigned the Board have in view the extension and development of new trade routes for our merchant marine, thereby opening to existing lines an extension of their service, or to new lines the establishment of a service, on such new routes, when they are shown to be profitable. To this end the Board is expressly charged with the study of foreign and domestic markets with the view of determining from time to time what steamship lines should be established in the development and maintenance of foreign and coastwise trade of the United States.

It is also charged with inquiry into traffic conditions in foreign trade and the development of rules and regulations affecting shipping in that trade in order to

properly meet conditions unfavorable to our shipping in foreign trade, when these conditions arise from foreign laws, rules or regulations, or from competitive methods or practices employed by owners, operators, agents or masters of vessels of a foreign company.

In addition to the helpful duties imposed on the Board in its relation to owners of vessels, duties also exist with reference to our ports. The law provides that the Government shall assist in planning the improvement and development of ports, and in the study of regions and zones tributary to ports, with special reference to the facilities for interior transportation and the study of the natural direction of the flow of commerce from points in the interior, and any other matter that may tend to promote and encourage the use by vessels of ports adequate to care for the freight which would naturally pass through such ports.



## CHAPTER XIV

### IN CONCLUSION

THE recent Conference on the Limitation of Armament has emphasized the need for a Merchant Marine under our own flag—a necessity which was so strikingly brought home to the American people by the events of the World War.

All force is relative. While the great powers have entered on this ten-year naval holiday, so far as great war vessels would otherwise have had a part in the naval program, the convention of the powers does not limit the construction of merchant vessels, either with reference to their number, their size, or their type, kind, and efficiency. Furthermore, it expressly permits merchant vessels to be armed, within certain well defined limits. As a result, if an ordinary merchantman in time of war should be chased by a "cruiser," having armament sufficiently superior for a successful attack, it is quite unimportant whether the "cruiser" has been a war vessel from its inception, or a merchantman converted for the purpose.

The limitation of naval armaments therefore has greatly increased, for a war period, the importance of a Merchant Marine which has in it large, swift and efficiently equipped vessels. To their value as trans-

ports and as auxiliaries to the navy, merchantmen have now acquired potential military value of great significance.

There are, however, more agreeable aspects of the results of the Conference on the Limitation of Armament, in its relation to the Merchant Marine and its further development.

If the tide has turned in the affairs of nations, or if an important step to that end has been taken, as we all hope it has, then the trend henceforth is to more peaceful intercourse between nations and to greater safety on the high seas. In anticipation of an increase in our foreign commercial relations we should equip ourselves with all essential instruments of commerce, including vessels for its transport under our own control.

Whether private capital of our citizens can be made profitable in the investment of merchant vessels operated in foreign trade is largely a question of fact not difficult of demonstration. The question does not arise with reference to the coastwise trade of the United States, because vessels under foreign flags are not permitted by our laws to compete in that traffic. Our vessels in foreign trade, however, are of course in competition with the merchantmen of other maritime nations whose experience and skill are quite equal to that of Americans.

The difficulty met by private operators under the American flag arises not only from the fact that our laws impose conditions both with reference to the structural arrangements of the vessel and to the class

of seamen to be employed in its operation, but also from the fact that excess labor costs, compared with foreign built vessels, create a capital charge which has a material bearing on the annual cost of operation, because a correspondingly larger sum has to be deducted from earnings to meet interest on the investment, a proper deduction for depreciation, and premiums for insurance.

These financial handicaps may in a measure be eliminated by the citizen in his individual business relations with shipping, for he can invest in foreign built ships and operate them under foreign flags. But this solution of the problem of the individual would not contribute to the development of an American Merchant Marine.

The necessity for government aid arises largely from the higher standard prescribed by our laws and by our customs for the workmen engaged in the construction of the vessel and by all who have to do with its operation. It is because of this difference in the standard of living of American workmen as compared with workmen in foreign countries that the friends of the protective tariff justify the system as a national policy. It would seem an appropriate system of Government aid to our merchant shipping would be amply justified on the same ground. Whether the aid is given in the form of direct subsidy or by the enjoyment of preferential privileges is not material. The important thing is that American vessels should be put in a position to successfully compete in foreign trade with foreign vessels. We have no purpose to discuss the merits of the

various systems or to indicate any personal preference for one method or the other which the Government may employ for the attainment of the end. It is our desire, however, to emphasize that the end should be attained.

END

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